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Financial Management of Public and Private Universities in Uganda: A Comparative Case Study

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Financial Management of Public and Private Universities in Uganda: A Comparative Case Study

Florence Nakayiwa

**A Thesis Submitted for the Degree of
Doctor of Business Administration (Higher Education Management)**

**University of Bath
School of Management**

November 2012

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Abstract

Premised on the assumption of a liberalised higher education sector that introduced market based principles in Universities in Uganda; this study investigates the formats of financial management integration as well as the factors that influence the financial systems adopted by institutions. It explores divergences and convergences in the financial management of public and private universities in Uganda with a view of identifying challenges and establishing best practices that could be adopted within the Higher Education sector. The study begins from a preliminary proposition that the diversification of Higher Education provision has impacted university financial management practices. It then seeks to understand how the individual institutions have been affected. Whereas anecdotal evidence suggested financial austerity for survival in private universities, literature shows large budget deficits and arrears each financial year for the public universities.

The study adopts a multiple case study design with two public and two private universities. Taken together the cases provide a more appropriate basis for generalisation about the financial management status of higher education institutions in Uganda. The study acknowledges that the University is operating within a changing national framework that is increasingly inclined towards accountability, financial reforms in the public sector and reduced financing. Yet it is also cognisant of international trends of performance measurement and management as derivatives of this New Public Management ideology. Through document reviews, observations and semi-structured 'elite' interviews with participants at executive and middle management levels, the study extends Pollitt's (2001) typology of financial and performance integration and applies it within a higher education context.

The study establishes that despite the similarity in categorisation and the congruence of the contextual environment, it is the source and conditions of funding rather than the private or public orientation of the universities that generate inter and intra institutional differences. More importantly, the source of funding is a major contributor to resource allocation practices, mobilisation, performance rewards and feedback; as much as it inhibits decentralisation in public universities and enhances centralisation in the private universities. Factors influencing financial management range from governance in terms of the distribution of executive power, to size, market and regulation by government. Institutional factors extend to information systems and communication in addition to strategic plan ownership and utility. The analysis of management practices at the four cases underscore that financial management is influenced by both financial and non-financial dynamics.

1 Introduction

1.1 Evolution of the higher education sector in Uganda; challenges and prospects

The Higher Education (HE) sector in Uganda has experienced transformations over the past twenty years. Evidence of this can be seen from first, a tenfold increase in enrolment from about 7000 in 1990 to more than 100,000 by 2009¹. Second, was the emergence of new service providers in the form of private institutions to compete with public institutions which had hitherto dominated the sector; there has been growth from one public University in 1990 to more than 27 (five public, 22 private and licensed institutions) by 2011. Third, was the creation of a private-public mix where public institutions diversified their funding resource base to include tuition and other fees, revenue from commercial investments and third stream income.

Changes in the operational environment also generate challenges to the existing institutional management structures; not only because public institutions have competitors in the form of private service providers, but also because the financial nomenclature within the public institutions change. Where previously the state met 100% of institutional needs, more than 50% of the resources are currently coming from private sources in some of the institutions. Table 1 is a layout of the comparative details of resource distribution in public universities.

Table1.1: Resource Distribution of Public Universities in Uganda (five year average 2005-2009)

Institution	Grants	Government	Internally Generated
Makerere University	8.6%	38.2%	53.2%
Mbarara Univ. of Sci. &Tech	4.0%	71.7%	24.3%
Kyambogo University	3.8%	47.6%	48.6%
Gulu University	4.4%	68.0%	27.5%
Busitema University	0.0%	94.6%	5.3%
Makerere University Business School ²	0.0%	27.5%	72.5%

Source: Unit Cost Study of Education at Public Universities in Uganda 2010, 7

At the national level, reforms appear to have increased access to HE in general as well as improved the financial positions of the public universities. There was also an

¹ Education Management Information system data accessed May 2011

² MUBS is a semi-autonomous institution that is affiliated to Makerere University for academic programmes

acknowledgement that both public and private sectors have some role to play in HE which extends from establishing fully private funded institutions regulated by the state to enrolling private students in public institutions.

Management responses to these new developments varied across institutions. Whereas anecdotal evidence suggests financial austerity for the private universities, literature on public universities showed large budget deficits and arrears each financial year for the public universities (AH Consulting, 2010). For example, Kasozi (2009) highlights budget deficits in three out of the five public universities, an average of 44% for Makerere University, 87% for Gulu University and 37% for Mbarara University of Science and Technology (MUST). Similarly while the 2007 report of the Visitation Committee to public universities highlighted management challenges, it also underscored resource inadequacies in public institutions (Visitation Committee, 2007). Some pertinent questions arise from this observation. i) Are public institutions effectively and efficiently managing their resources? Is it, for instance, possible that public universities have continued to operate in the public sector mode of revenue maximisation that has no incentive for efficient resource allocation despite their changing public-private partnership status? And ii) Do private institutions have financial management practices that could be adapted by public institutions? Or could the private institutions learn from the public sector institutions?

Trends in HE management have seen institutions increasingly adopting management practices that are characteristic of the business sector (Meyer, 2002; Torraco & Hoover, 2005). While the genesis of these practices according to Slaughter & Leslie (1999) is academic capitalism, Clark (2007) expostulates it as entrepreneurship in HE. Bok (2003) in contrast looks at it in the context of commercialisation of HE, the root cause of which is the reduction of institutional financial resources from conventional sources, notably the public sector. At the local level, Mamdani (2007) projects it as an impact of neo-liberal reforms and misguided introduction of the market in HE. Deem (1998, 50) on the other hand points at *new managerialism*: an attempt to integrate private for profit practices and values such as the 'use of internal cost centres, the fostering of competition between employees and marketisation' into public services.

One of the obvious questions is whether the business practices apply in a HE setting and can be wholly adopted or customised to specific institutions and/or whether they can be uniform in public and private universities. Birnbaum (2001) attempts to investigate the application of business oriented management innovations within the HE setting and concludes that several of these are context specific and could easily be categorised as 'management fads'. On the other

hand, while Birnbaum addresses the business practices specific to the HE sector, these practices could also be considered within the New Public Management (NPM) realm especially with respect to the convergence of public and private sector performance audits and management practices (Hood, 1995).

Changes in the HE spectrum have implications for the financial management of both private and public institutions. The public institutions have to unlearn the traditions that characterised their single predominantly public source of funding status (Modell, 2004). These according to Wellman (2010, 31) include 'unchecked cost increases and limited incentives for performance measurement'. Public institutions also have to cope with an increased number of resource providers who sometimes have competing financial reporting and performance management requirements. In addition, the complexity of financial management increases with the increase in enrolment and number of resource providers (Clark, 2001; Slaughter & Leslie, 1999). This would call for a transition from the old collegiate and bureaucratic management system to a more versatile arrangement with the capability to handle the changed position of the institutions (Clark, 2001; Lapsley & Miller, 2004; Venieris & Cohen, 2004). Private institutions on the other hand have to create structures and mechanism that will ensure their legitimacy within the industry, and these may not necessarily be the most effective in HE or the public domain (Ashworth, Boyne, & Delbridge, 2009).

Similar to other Higher Education Institutions (HEIs), (see for example Liefner, 2003), financing of university education in Uganda is predominated by three sources, namely: i) public resources disbursed as a subvention through the medium term expenditure framework adopted by government; ii) private resources from tuition and other user fees; and iii) third stream income from research grants from international bodies and associations besides an emerging category of investments, enterprises and technology transfer initiatives. While the public resources are a preserve of public institutions, the other two categories apply to both public and private universities. There is also evidence of some endowments and private sector investments in some private universities.

In the Ugandan HE system, while public institutions cope with reduced public funding, private institutions operate in an environment of no government subsidy or supplement (Kasozi, 2009). This has created an unfair competition within the sector, since the fees paid in private institutions are within the same range as what is charged in public institutions. In addition, reduced public financial availability and increased private financing in public institutions would have translated into more efficient resource allocation and utilisation, in line with the

concept of NPM. This is further emphasised by the realisation of economies of scale that would have been generated by the growth of these institutions as they transition from small exclusive and elite institutions into large organisations (Brinkman, 2006). Nonetheless, private institutions seem to have developed survival mechanisms that have enabled them to firmly establish themselves with some reporting innovative mechanisms especially with respect to how they manage their financial resources as they compete with public universities for students, staff and the constituent resources.

As public institutions evolve to accommodate the transformations, private universities that are more autonomous develop as rational systems designed to achieve specific goals through creation of functional structures at inception (Meyer, 2002). Private institution management structures are likely to take into consideration the resource envelope vis-à-vis the requirements of the institutions. On the other hand, it is also possible that these are mimetic in nature and learn from what has worked in the older public institutions; a contention that is discussed as one of the tenets of isomorphism (DiMaggio & Powell, 1983; Meyer & Rowan, 2006).

Internal processes and external pressures will however, determine the extent of adaptation as well as the diversity within organisations irrespective of their public or private orientation. These processes also represent the success or failure of an institution to establish a fit with its environment. Within this study, universities are perceived as organisations operating within the same industry that in the process of seeking legitimacy from the environment have divergent responses and interpretation of the same environment (Meyer, Scott, & Deal, 1980; Oliver, 1991).

Although universities appear to sell their services through user and tuition fees, these are significantly lower than the unit cost, neither is there a possibility of making any profit from the service sales (AH Consulting, 2010; Kasozi, 2009). As such, analysis of the financial management system (FMS) would broadly fall under two categories: the public sector enterprises for the public universities; and the non-profits which would adequately describe the private universities but also applies to public institutions. Because they charge user fees and also provide a social service, universities can further be characterised as social enterprises that use commercial means to meet social goals (Moizer & Tracey, 2010). Hansmann (1981) categorised them as donative-commercial non-profits, because they derive revenues from both donations and the sale of services in form of tuition. The contention however, is that since they are not expected to distribute dividends and profits at the end of each financial year, there is

reduced incentive for efficient resource utilisation, an assertion that is related to the fact that universities are revenue maximisers (Bowen, 1980; Wellman, 2010).

Despite this similarity in categorisation and the congruence of the contextual environment, the source and conditions of funding generate differences between the private and public universities. These may manifest in different aspects ranging from the strategic that outline the mission, focus and culture of the institutions to the financial management structures they operate in the fulfilment of their mandates. The new trend is to adopt the rational approaches that are defined by the NPM concept. This approach which largely borrows from the private sector matches resource allocation to accountability for results (Hood, 1995). The best practice has been for institutions to produce results against a stated pathway within a specified financial resource as the measure of performance. This according to Pollitt (2001) can be assessed by the interface between the financial and strategic performance and depicts the extent of integration as a desired state within public enterprises. From another view point, Kaplan & Cooper (1998) present the ideal typical model as an integrated system where financial reporting reflects operational and strategic performance. Under this integration model, financial and strategic components of the organisation interface via linked databases and Management Information Systems (MIS)

Integration may manifest differently in the public and private universities in Uganda. It is also the basis for the primary questions investigated by this study; what is the nature of financial management in HEIs in Uganda, and how does it differ between private and public universities? Further to describing the nature of financial management, the study establishes the factors that influence the FMSs in both university categories from the perspective of the key informants.

1.2 Research questions

The study answers two general questions. The third question emerges as part of conclusions and contribution to institutional research that may inform decision-making within the case studies but also at a broader national level.

1. How integrated are the FMSs of public and private universities in Uganda?
2. From an institutional perspective, what external and internal factors explain the differences in financial management practices in public and private universities in Uganda?

3. What recommendations for HE financial management follow from the study?

In answering these questions, a conceptual framework is applied. It draws on two performance management models put forward by Kaplan & Cooper (1998) and Otley (1999) as advanced by Ferreira & Otley (2009) to identify the areas of focus. The framework points to a classical integrated financial management model that would bring together the financial performance management variables: revenue generation, resource allocation and product costs on the one hand; and the strategic performance management tenets that include strategy & mission, target, rewards and feedback on the other. It is the relationship between financial and strategic performance that informs the financial management integration exploration of the study. This is operationalised through the application of the performance and financial integration typology put forward by Pollitt (2001).

1.3 Study Contribution

Despite the existence of the Universities and Other Tertiary Institutions Act 2001 (UOTIA) as amended 2003 and as amended 2006 plus the establishment of the National Council for Higher Education (NCHE) as a supervisory body, there are certain key aspects that have not been clearly articulated in the Ugandan HE regulatory framework. These include financing strategies; principles of allocating resources; incentives for private institutions; accountability and how to operationalise quality assurance mechanisms (Liang, 2004). While the Act spells out the financial management mechanisms of public universities, it is silent about the role of NCHE in the financing and financial management of both public and private universities.

At another level, the Public Universities Unit Cost Study Report notes that despite the changes in the overall environment in public universities, business processes have remained largely stagnant (AH Consulting, 2010, 14). While the reason for this could be that the changes that have taken place in these universities have not been adequately documented, it could also be because there are systemic barriers that inhibit changes within the institutions. Furthermore, while there is some literature on public universities in Uganda (see for example Musisi & Mayega, 2010; Bisaso, 2010; Kasozi, 2009), studies on private universities have not been commensurate with their emergence rate. Where they exist, they have largely remained internal to the institution as unpublished reports focused on specific programmes or faculties (Mande, n.d; Olweny, n.d).

From the national HE provision perspective, it has been argued that change in financial management régime affects resource availability, allocation and utilisation all of which have an

impact on academic service delivery which is considered the primary mission of HEIs. At the institutional level, it is argued that competition and the changed financing of hitherto public education systems will require ingenuity and innovation in how institutions manage their finances (Duderstadt, 2000; Wellman, 2010). It has also been argued that the perception and expectation from public enterprises has changed from one of passive acceptance of services delivered to a mode that demands more accountability and evidence of value for money, premise that have led to an increasing use of Performance Measurement and Management (PMM) tools (Modell, 2003). The study therefore advances the traditional perspective of financial management. In addition it analyses how institutions perceive the emerging PMM and NPM trends.

Premised on this outlook, the study has implications for theory, policy and institutional perspectives of HE management:

- From the theoretical point of view, by highlighting the developing country context, the study contributes to the understanding of HE management in a broader perspective. While there have been extensive comparative studies in HE management (see for example, Jarzabkowski, 2002; Slaughter & Leslie, 1999); the general focus of these studies has been developed countries. The study takes forward the understanding of entrepreneurial and market changes that have been put forward as characteristics of HE in Uganda (Court, 1999; Johnstone, 2004; Mamdani, 2007).
- Using Pollitt's (2001) typology, the study takes forward the concept of financial and performance integration. It provides an empirical basis of how integration as a construct can be applied to financial and performance management systems. The ultimate contribution is an appreciation of how business inclined constructs can be applied within a non-profit but more especially public enterprise framework. By providing an analysis of the operational and structural issues with respect to financial management, the study contributes to the HE management discourse.
- Apart from the theoretical objective, the study provides an empirical base for policy formulation at the system and institutional levels. By associating private and public University management systems, the study generates a common platform of comparison that could be used by the NCHE and other national regulatory systems to draw conclusions that facilitates policy formulation and recommendations for HE management.

- At the institutional level, the study provides an analysis of the management structures of private and public universities in Uganda. With regard to public institutions it gives an insight into how they have adapted to both the diversified financial resource base and the emergence of competitors in the form of private universities. In the case of private universities, it establishes the functional structures that enable them to operate in the HE 'industry'. It contributes to our appreciation of how public universities have combined their public status with the market concept that derives from competition and the charging of user fees. It further highlights how private institutions combine their non-profit status with the need to raise resources for survival (Moizer & Tracey, 2010). The study compares both public and private institutions to ascertain the similarities and differences in their financial management practices. It hence offers a snapshot of how best these can be attuned for the management of the HE sector in Uganda.

Using qualitative case study research, the study investigates the structure, process and nature of financial management of HEIs in Uganda. It explores the financial management practices of two public and two private universities. The selected institutions in this study represent 75% of University enrolment in Uganda³. Choosing institutions of different orientations (public or private), size and foundation will provide insight into the potentially different financial management structures within the sector.

Case study has been chosen as a strategy of inquiry because it covers both the phenomenon and the context (Stake, 2005; Yin, 2003 , 48). Although the study is presented as a multiple case study, the first focus is the individual institution; this is designed to generate a comprehensive understanding of how each institution has evolved in the financial management practices, thereby bringing out the intrinsic character of each of the cases (Stake, 2005). The adopted case study method is replicative to enable within and across case comparison. The exploratory nature of the study posits case study as a method of choice to bring out both the convergences and/or divergences of the different institutions (Yin, 2009). The qualitative perspective of the study derives from the selected approach which covers, multiple sources of data in a natural setting.

³ There are five public universities enrolling 60.4% of total University registrations while the balance of 39.6% is enrolled in the 25 private universities.

The study adopts a descriptive case study analysis frame that attempts to establish the existing situation of public and private University FMSs. It is hoped it will not only contribute towards our understanding of the HE framework in Uganda but also trigger the need to investigate the rationale behind the behaviour of institutions.

1.4 Structure of the Dissertation

Chapter One introduces the study through a general overview of HE management with specific reference to the Ugandan context. It highlights the research questions, the study scope and justification as a way of communicating the parameters of the inquiry. Chapter Two describes the HE context in Uganda, highlighting the historical, legal, operational and institutional environments of the universities. This is necessary as a backdrop to the description of the nature of financial management at the universities since their context occasions the factors that influence the management processes.

A literature review on theoretical and empirical perspectives of HE management in general as well as a focus on studies on key aspects of PMM and the links to financial management are outlined in Chapter Three. Explored in detail are issues of resource allocation, costing, financial information and the decision-making structure necessary for effective financial management. A synthesis of this literature review informed the adopted conceptual framework. These earlier parts give rise to a statement of the study design and methods of data collection and analysis in Chapter Four. The statement of methodology underscores the application of case study in understanding financial management in HE.

Chapter Five and Chapter Six is the empirical core of this dissertation. While Chapter Five provides a detailed description of the institutions in the study and presents the research findings on a case by case basis; Chapter Six is a discussion highlighting the convergences and divergences of the FMSs of the different institutions. In Chapter Seven, the final chapter, the conclusions and reflections on the limited level of interface between financial and non-financial tenets as indicators of integration plus the extensive influence of government are presented. The chapter further provides recommendations for professional development at institutional and systemic levels.

2 Ugandan Context

HE in Uganda has its foundation in the colonial government that moulded it against the British HE system; which is a common feature of most of the HE systems in the former British colonies. The system fully supported by public resources was highly elitist and inequitable and by the 1970s considered a drain to the dwindling public resources, a situation which was exacerbated by the economic war which characterised the country during the 1970's. This state of affairs was exploited by the World Bank policies and concept of social versus private returns as they apply to the various levels of education (Mamdani, 2007). As the international resource providers advocated for priority focus on primary education because of the perceived higher social rate of return, the financing of HE stagnated (World Bank, 2000).

This chapter presents the Ugandan HE landscape as the context within which the comparative study of financial management of the study is placed. The chapter has two broad sections. First, it highlights the historical background and evolution of the HE sector at national and institutional levels. The section draws attention to the governance and regulatory framework of HEIs in Uganda. Second, in an attempt to centre the discussion on financial management, the section elaborates the financing regime and the expectations by government and service consumers from HEIs. The chapter begins with a historical overview as the basis for the changes that currently define the HE sector in Uganda.

2.1 Structure of the Ugandan Higher Education System

The Ugandan HE system, according to the Universities and Other Tertiary Institutions Act (UOTIA) 2001 is designed to provide post-secondary education leading to certificate, diploma and degree awards in various disciplines. It operates a binary system with two distinct categories: the University sub-sector; and, the other tertiary institutions sub-sector. The other tertiary institutions sub-sector comprises of non-degree awarding institutions including national teachers colleges, colleges of commerce, forestry colleges, theological institutions and health training institutions among others. Although they face similar resource constraints and the financial management issues and challenges affect institutions in both sub-sectors, the scope of this paper is limited to the University sub-sector. It is valid, though, that the questions raised here will apply to the other tertiary institutions sub-sector and have implications for related policy and/or governance debates in the sub-sector.

To a large extent, the transformations in the Ugandan HE sector derive from the Government of Uganda 1992 White Paper, which liberalised the provision of HE and opening up the window for private/fee paying provision of University education in the public universities and encouraged extra budgetary revenue generation in public institutions (Government of Uganda, 1992). This altered the public-private relationship in the provision of HE and affected the balance of financial resources within public universities.

The structural adjustment programmes that characterised the economies of developing countries in the 1980s and 1990s led to the liberalisation of the HE sector in Uganda among other policy shifts. These reforms generated a market model which coupled with the increasing number of qualified for University entry students⁴ increased the number of private universities in Uganda and also created room for enrolling fee paying students in public institutions. Kasozi (2009, 157) notes that by 2005/06 approximately 40% of University students were enrolled in private institutions while 80% of the students in public institution were fee paying.

At the national level, while the number of students admitted under the government scholarships scheme for all public universities has been maintained at 4000 since 2001⁵ the percentage share of admission under this scheme has been declining. On average 87% of qualifying students access HE through the fee paying category in public universities or join private universities. Although the enrolment levels have increased, the Ugandan HE system is still highly selective. With a gross enrolment ratio of less than 3.5%, by 2008, Uganda remains in the category of least HE subscribed countries.

2.2 Governance and Institutional Autonomy

The UOTIA was designed to create some degree of autonomy and free institutions from direct government purview. Whereas previously all staff appointments were made by the Ministry and the President was the titular head of the universities, the Act vested appointment powers to university organs. As autonomous institutions, the universities are expected to run their

⁴The number of eligible candidates rose from approximately 7000 in 1990 to 88,000 by 2008/09, Makerere University as the largest University in Uganda absorbed an average of 47% over this period

⁵ This was an upgrade from the 2000 ceiling annual admission

financial management affairs independently with a separate vote⁶ that is used by the Ministry of Finance to regulate institutional resource allocation and expenditures.

To a large extent, autonomy from both the ministry that is responsible for finance and the ministry responsible for education has been undermined by the introduction of the sector wide approach to budgeting. The approach integrates the overall education sector budget, and each University is treated as an entity within the HE sub-sector. As a consequence and based on the national education priorities of focusing on lower levels of education, HE receives the least amount of allocation compared to primary and secondary education (Kasozi, 2009; Musisi & Mayega, 2010).

At the institutional level, the UOTIA stipulates that the Vice Chancellor is responsible for the academic, administrative and financial affairs of the University. Whereas the Vice Chancellor chairs Senate (the academic arm of the University), and by so doing takes charge of academic matters, he is only a titular head with respect to financial affairs. The Act further stipulates that the administrative and financial powers are vested in the Deputy Vice Chancellor, Finance and Administration, who however, similar to the Vice Chancellor does not have any financial power. Instead financial authority is vested in the University Secretary who is the Accounting Officer recognised by the public financing mechanism and therefore chief financial officer of the University. It further grants the Bursar who reports to the University Secretary although they are at the same salary scale responsibility for financial administration and planning. Therefore it is the Bursar's responsibility to present the financial projections in form of budgets and financial reports to Council through its Finance and Planning Committee. These provisions as outlined in the Act present an unclear and mixed up financial reporting position and channels that is likely to influence the financial management situation in public universities. The executives outlined by the Act and the comparative equivalents in private universities inform the choice of participants for the study.

At the middle level, faculty heads (deans and directors) are responsible for the general supervision and administration of the affairs of the academic units. Their portfolio since the introduction of fee paying students in public institutions extended to resource allocation, expenditure and management in addition to academic oversight. The UOTIA also outlines the financial provisions for public universities including, the management of property, funding,

⁶ Each government agency has a specific allocation, numbered for purposes of identification. Each vote budgets, expends and accounts according to national financial management regulations.

borrowing powers, financial year, estimates, accounts and audits (Government of Uganda, 2001).

2.2.1 Regulatory Framework and Financial Management

The National Council for Higher Education (NCHE) was instituted in 2003 as a statutory body to 'monitor, evaluate and regulate institutions of higher education' (Government of Uganda, 2001, 3). In addition to setting standards, NCHE is expected to advise the Minister of Education and Sports on HE policy issues.

Public universities in Uganda are established by Act of Parliament; in the recent past majorly instigated by political agitation for regional balance. Private universities on the other hand, have to meet specific criteria, including, the detailed financial base and financial control and administration, if they are to be granted permission to operate. Similarly, one of the premises for granting of a charter is statement of the financial resources available for exclusive use by the University, certified by a qualified accountant. Therefore from the onset, where public universities have a political and legal base for establishment with financial frameworks largely independent of the NCHE, the private universities have to have adequate financial forecasts. Additionally, although they are characterised by continuous interruptions through financial related industrial and students' strife, no public University has failed to operate or closed due to lack of resources. On the other hand, private University licences have been revoked and/or degraded as a result of non-financial viability.

2.3 Public Higher Education Financing in Uganda

The three major sources of funding for public universities namely government, internal revenue and third stream income highlight the diversified nature of the resource base. This as noted by Clark (2001) is one of the indicators of an entrepreneurial University. In the Ugandan context all three sources are treated as public funds because the nature of the institutions is denoted as public albeit with varying levels of expenditure discretion. However, where other public agencies/ministries remit their 'non tax' or internally generated funds to the consolidated fund, public universities spend their internal revenues at source in what has been termed 'Appropriation in Aid' (AIA).

In addition to the NCHE, performance oversight and accountability for public universities is vested in two major committees of Parliament. That is, the Social Services Committee; and the Public Accounts Committee. Whereas the Social Services Committee activities are ex-ante and

it scrutinises allocations to the various activities within the institutions, the Public Accounts Committee is post- ante and explores value for money mainly basing on reports made by the Auditor General. These two committees it can be said articulate the public's expectations of public universities.

Public financing of private universities has been limited. It is largely seen from tax exemptions and the occasional allocation to specific institutions to meet infrastructural and, to a very limited extent research needs. Similar to public institutions financing, these allocations are generally arbitrary and there is no cross cutting rationale provided for resourcing some institutions against the others.

The budgeting process for public HEIs in Uganda has gone through several phases. These phases further define the relationship between government as a funding agency and the institutions. They are also associated with the level of decentralisation and institutional autonomy. The variant strands of financial management autonomy within the public universities can be seen from a chronological perspective. The 1980's were characterised by line item resource allocation, under this system, the institution which was only one at the time was regarded as a department of the Ministry of Education. As such all financial issues that affected the ministry affected the institution as well most notable among the effects being internal reallocations in the middle of budget implementation for specific financial years.

In the 1990s the institution was granted a separate vote which created financial autonomy from the Ministry of Education but the institution still continued under line item budgeting. Budget lines were based on the national chart of accounts; allocation was largely incremental and there was limited provision for reallocation within the various line items. The 2000s were characterised by what is termed as government subvention. Under this arrangement, institutions are given a lump sum allocation with respect to which they were 'free' to allocate resources according to their priorities. However, similar to the line item budget, that was predominantly incremental based on previous year's allocation and did not take cognisance of the resource requirements of the institutions. Furthermore, similar to allocation under the line item budget, institutions continually reported budget deficits.

The situation was further compounded by the varying mixtures of financial and governing autonomy. For example, while institutions were expected to allocate funds according to their priorities, several constraints were identified: first, statutory requirements such as salaries,

wages and staff remuneration consumed a greater percentage of the resources allocated; second, institutions had to continue with the government scholarship scheme that made for provisions for accommodation, food and other welfare requirements to state sponsored students. This was despite continued and protracted efforts by institutions to disengage from such welfare associated expenditures for students; and third, institutions had to fit within a budget ceiling enforced from the central government. This ceiling which is largely arbitrary acts as the financial benchmark for institutions irrespective of student numbers and other cost drivers. It also generated a rudimentary unit cost that was then used for subsequent years' resource allocation.

Since 2008, resource allocation at the national level has reverted to line item budgets, with two broad recurrent areas categorised as wage and non-wage plus a development component. Institutions have further aligned the allocation according to the national chart of accounts, with a modification from the pre 2005 line item budget of universities determining allocation amounts on each item. Total allocation however, has to fit within the stipulated ceilings at the macro level. This provides an example of a hybrid resourcing mechanism that combines both line item and lump sum resource allocation for the universities as outlined by Orr, Jaeger, & Schwarzenberger (2007).

Furthermore, the government operates a three year rolling plan as a Medium Term Expenditure Framework (MTEF). Under the scheme, government has adopted the Output Budget Tool (OBT) designed as an attempt to track allocations and expenditures based on the missions and objectives of public agencies including universities. As a generic tool for all ministries and public agencies, it does not consider the unique features of the academic institutions. The tool is an example as noted by Kasozi (2009) that public universities are treated as other government departments thereby depriving them of the much needed academic, financial and institutional autonomy. Moreover, in a situation where some of the tenets of the performance based OBT are not applicable to HEIs, there is a loophole for both the general government reporting structure and the institution's report framework which is a reflection on the financial management status in the universities.

2.4 Financial Management in Uganda

According to the Public Finance and Accountability Bill 2003, public funds financial management, under which the related function of the public universities falls, is enshrined into two documents: the 1995 Constitution and the 1964 Public Finance Act. Transformation in

public financial management reforms in Uganda are further embedded in Financial Management and Accountability Programme (FINMAP). They extend to macroeconomic and fiscal policy, budgeting, utilisation of resources, accounting and reporting, auditing by the Auditor General, reporting to and feedback from Parliament. Over the years however, there have been supplementary documents and procedures that guide the financial management of operational funds in public institutions⁷.

For the public universities financial management guidelines at national level were developed in 2009, with the rationale for addressing systemic deficiencies noted by the Office of the Auditor General. Among these were: “failure of universities to present their budgets for appropriation; insufficient disclosure of internally generated funds; and poor book keeping and lack of standardisation in accounting which have always bogged down universities financial management” (Government of Uganda, 2009, 4). Although the guidelines outline the expectations from public universities, they concentrate on international financial reporting standards with a view of improving accounting comparability and facilitating external resource mobilisation. Comprehension and translation of these guidelines at the institutional level remains to be evaluated.

2.5 Conclusion

In terms of management the chapter demonstrates evidence that the transformations in the HE sector in Uganda have generated a hybrid system that combines both the market and the state models. While there is an attempt by the state to hold especially the public institutions accountable, the proposed structures and policies do not adequately address this requirement. It is also emerging that at the institutional level, response to these developments is an act of balancing the tensions that are generated by the market and the state. The diversity of institutions and the sometimes unclear regulatory structures leaves room for independent interpretation. It also provides the comparative framework for the FMS of public and private universities as outlined in this study.

For a comprehensive analysis of the nuances of financial management in higher education, it is appropriate to explore the interpretations and application as explicated by other scholars. The next chapter is a review of literature on the format, factors and issues of financial management and higher education beyond the Ugandan context.

⁷<http://www.finance.go.ug/archives.php> accessed 27th July 2010

3 Literature Review

This review focuses on financial management as it is conceptualised in the public and private sectors. Since the study focus is universities, emphasis has been made to the HE context. The review starts with a broad overview of management in HE which extends to financial management concepts and how they have been applied; the changing nature of the management of HE; and Performance Measurement and Management (PMM) which stands out as a dominant construct in NPM, accountability and financial management.

Illuminated by the review is how the strategic and other non-financial perspectives influence financial management. The review extends into Management Control Systems which have been highlighted by several scholars as operational frameworks for performance management in organisations. To conclude the chapter a conceptual framework is synthesised from the literature this provided the basis for data collection and analysis.

3.1 Financial Management Concepts and Application to Higher Education

In the context of the public sector, Coombs & Jenkins (2002, 3) define financial management as 'being proactive in the use of financial and other information actively to manage the public sector enterprise to achieve laid down objectives'. Ter Bogt (2006) looks at it from the perspective of financial resources, solvency and capital investments. He acknowledges the internal and external reporting as well as financial and non-financial performance measurements as key aspects of financial management within the public sector.

In light of this, financial management especially in the public sector is intricately linked to performance management; and as elaborated by Hood (1995), conceptualisation of financial management in recent times is seen as a transition from traditional public accountability to new forms of public management, embodied in the concept of NPM. The NPM principle goes beyond financial accountability to provide a more comprehensive evaluation of how services are delivered in the public sector. It is therefore seen not only as a paradigm shift from process accounting to accounting for results but also eliminating the differences between the public and private sectors. Despite the fact that application of NPM may differ from country to country or even institution to institution the basic doctrine of 'public accountability and/organisational best practice' still applies (Hood, 1995, 93).

Other scholars, for example Ter Bogt (2006) and Tillema (2005) argue that financial management will depend on the size of the institution and its ability to adopt sophisticated management accounting systems. The larger the institution the more decentralised and

sophisticated the system will be and the more likely it will conform to established regulatory frameworks within the industry. Under these circumstances, the concept of isomorphism and the need for legitimacy within the industry extend to how organisations manage their finances (Meyer & Rowan, 2006).

Michael (2004, 124) notes that the changes in HE are synonymous with changes in the financial management of these institutions, where previously only a bursar was sufficient to steer the finances of the universities, current trends have adopted elaborate corporate financial management practices including hiring top notch business oriented Vice Presidents charged with developing creative resource generation strategies, developing creative cost reduction strategies, and embarking on strategic allocation and budgeting. It is these generic principles that have formed the basis of performance evaluation, which can be determined by tools such as Balanced Score Card (BSC) and Evaluation of Value Addition (Otley, 2001).

Comparing three management systems Budgeting (revenue and costs); Economic Value Added (shareholder value); and Balanced Scorecard (organisational strategy), Otley's (1999) analysis of performance management is hinged on five principles namely: i) the goals and objectives of the organisation; ii) the plans and strategies to implement these goals; iii) performance standards and the allocation of resources for implementation; iv) motivation and reward system for the implementers; and v) the information required to document and improve performance. The five principles encapsulate financial management as seen from the perspective of evolutionary management accounting. They further highlight the tension that organisations face as they try to integrate the traditional accounting models with the newer performance based management control systems. As a framework the Otley (1999) study has been used to analyse case studies of management control systems (see Ferreira & Otley, 2009). For the current study, whereas the Otley (1999) framework could easily be applied to public universities, it would also represent the operations of private institutions; more especially because both public and private HEIs as outlined in this study are considered to be non-profit organisations.

From the Otley (1999) study, financial management can be interpreted as system integration with emphasis on the linkage between strategy and the core elements of financial management.

3.2 The Changing Nature of Management in Higher Education

Both Clark (2007) and Slaughter & Leslie (1999) provide an overview of the changing environment in which HEIs operate. They highlight the trends in HE management and how institutions are adopting management practices that have been a preserve of private business enterprises. Indeed Clark (2001, 10) notes that there is an 'imbalance between the demands made on the institutions and their capacity to respond if they remain in their traditional form'. He notes that these traditional forms and limited capacity to respond are exacerbated by rigidified internal structures and underfunding. At the same time, the national expectations from HE have increased, since HE is viewed as the avenue through which competitiveness in the global knowledge driven society is expected to be realised (Bloom, Canning, & Chan, 2006). Thus, despite the reduced state funding the requirement for accountability and value for money call is increasing in HEIs.

National systems in Africa have reacted by liberalising the HE sector and allowing other service providers into the previously state dominated industry. To a large extent, this trend has been perceived as the appearance of market forces into the HE sector. Clark (1983) has presented it as an intersection that combines the state, the market and academic oligarchy. Under this arrangement, there are varying degrees of emphasis of the three forces and the concept of displacement would have explanatory power. Although the state provides the regulatory framework, state involvement will decrease with the increase in the market principle application. In such a context, market forces that are characterised as intrinsic regulation through demand and supply displace the monopolistic intervention by the state. On the other hand, the academic oligarchy makes decisions that are likely to affect how the system operates irrespective of whether it is state or market based. Balancing the three forces generates what Clark (2007) refers to as entrepreneurial universities that have managed to break with tradition and establish unique organisational identities.

Advancing the Clark (1983) paradigm of state, market and academic oligarchy, Slaughter & Leslie (1999) capture trends in HE from the perspective of professional work in HE. They give a comprehensive overview of the consequences of reduced state funding to the academe. They present both a national systemic outlook as well as an institutional synopsis of how the market has metamorphosed into what has been characterised as academic capitalism. This manifests at both system and institutional levels and is also likely to be the basis of internal differentiation as the resource allocation focus of institutions shifts to a larger resource share of the market relevant units (Zemsky, Wegner, & Massy, 2005). Other characteristics are the

increased share of administration as a result of resource generation efforts (Leslie & Rhoades, 1995), and a shift in the focus of the academe to pursuits that yield more revenue (Slaughter & Leslie, 1999). The current study explores whether these characteristics uniformly apply to both public and private universities in Uganda.

From another perspective, the HE management trend that encompasses accountability and value for money calls from the resource providers is forcing the academe to adopt efficiency and effectiveness practices that have been a preserve of the private and corporate sectors (Groot, 1999). The concept which in some cases is referred to as 'new managerialism' together with the broader concept of New Public Management (NPM) is explored by different scholars (see for example Deem, 1998). Meyer (2002) considers it from the perspectives of organisational learning; an effort by academic institutions to adapt to an environment that can no longer be served by existing systems. This view is also held by Lawler III & Mohrman (2004) when they compare the changing management principles in corporate America as applicable to universities. Bisaso (2010) explores the learning organisation concept within a developing country context. Using Makerere University as a case study, Bisaso (2010) concludes that public institutions adapt the business sector structure and processes to accommodate entrepreneurial practices characteristic of the private sector in response to external pressure in this case public sector reforms.

Groot (1999) further explores applicability of NPM to HE within the context of budgetary reforms; his claim is that, NPM has two basic doctrines – accountability for results and private sector management styles and techniques. Within HE especially in predominantly public funded institutions, NPM represents a shift in the perception and expectation between the funding agency and the funded institutions. But similar to other public enterprises, the question that arises is whether there can be a wholesale transposition of private sector accountability and performance measurement techniques to the public sectors and indeed to HE (Birnbaum, 2001; Ittner & Larcker, 1998).

Clark (2001) in discussing entrepreneurship and transformation in universities contends that true transformation is structural in nature and embraces the organisational character of the institution. It is therefore bound to affect the configuration and culture of the institutions. While Clark's (2001) paper does not specifically address financial management, the entrepreneurial response he outlines impinges on the financial management ethos of institutions. The diversified funding base brings out the need for additional resources, the

discretionary advantage of internally generated resources and the dangers of relying on one source of income. The strengthened steering core provides an understanding of how institutions are governed with specific reference to the de/centralisation level (Clark, 2001).

Whether considered from the perspective of entrepreneurship (Clark, 1983, 2007), academic capitalism (Slaughter & Leslie, 1999), New Public Management (Groot, 1999) or New Managerialism (Deem, 1998; Meyer, 2002), all scholars acknowledge that the genesis of the changing trend in academic institutions is financial strain and constraints. They also note the tension between the top management which is more willing to adopt 'corporatisation' and the academics who view this as an invasion on academic autonomy and independence (Goedegebuure & Westerheijden, 1991). How institutions handle this tension manifests in different ways, one of them would be resource allocation as noted by Jarzabkowski (2002).

This study attempts to establish how the new management principles have manifested in public universities in Uganda and whether the same principles apply to private institutions especially since it is argued that these concepts are adopted from the corporate sector which is predominantly private (Birnbaum, 2001; Meyer, 2002). In discerning application of these principles, specific reference has been made to performance and its implications for the changed HE financial management spectrum. The section below outlines PMM features as a rational management feature and how it has been applied within HEIs.

3.3 Performance Measurement and Management (PMM)

Performance can be viewed from different perspectives: Within the accounting circles it implies the increase in the monetary value of the organisation which could be signalled by profit level or increase in stocks and the market value of the organisation (Ittner & Larcker, 2009). In economic circles, it is synonymous with productivity and would refer to efficiency and/or the level of output for a given unit of input. Within the public sector it is increasingly being seen as effectiveness in service delivery and the implementation of organisation objectives. Indeed Otley (1999) presents it as a useful information system intended to facilitate management decision-making.

Ittner & Larcker (2009) give an overview of how non-financial performance measures can be applied within different contexts for the evaluation of company performance. Their discussion however, still focuses on financial performance or profits as the eventual goal of any measures developed by the organisation. For non-profit organisations therefore, application of the Ittner

& Larcker (2009) proposals would be limited to an appreciation of the methodologies and parameters that could be applied to assess the non-financial performance of organisations.

Within HE and especially within the context of Knowledge Based Economies performance would cover both internal and external efficiency. Where previously internal efficiency indicators were restricted to statistical figures on enrolment & attrition and viewed as an attempt by governments to impose control on institutions; the new trend includes management indicators that outline effectiveness and contribution towards institutional strategy (Cave, Hanney, Henkel, & Kogan, 1997). It has been observed that this trend embraces the need for the assessment of performance, is endogenous and has increasingly been adopted to improve governance and internal management processes (Cave, Hanney, Henkel, & Kogan, 1997).

From another view point, performance in HEIs has been linked to funding. While this has been generally applied to public institutions through performance based funding, its extension to private institutions is seen through access to tuition and other fees, gifts and research grants all of which are determined by the competitiveness of institutions (Liefner, 2003). Performance based funding under this category can be seen from a multi-level perspective that facilitates competition both between and within universities (Orr, Jaeger, & Schwarzenberger, 2007). Comparatively, scholars such as Trow (1996) argue that institutions use performance indicators to gain legitimacy in as much as they can be seen as a quality control mechanism within these institutions; the same view is discerned by Modell (2009), in his assessment of literature on PMM and its application to public sector accounting.

Kaplan & Cooper's (1998) discussion of costs and performance measurement in organisations provide another perspective of performance linked to strategy and FMSs. By highlighting the use of activity based costing to apportion costs to products, processes and customers, their book provides an overview of the functioning of an integrated performance system. The descriptive analysis of financial systems transitioning from one stage to another further provides a benchmark that could be used to evaluate the financial management and reporting systems of public turned private organisations such as HEIs.

Pollitt's (2001) typology for the evaluation of integration of financial and performance management is yet another outlook. Within an OECD government context, Pollitt highlights the interdependence between the broader financial management framework that embraces budgeting and budget execution/implementation on one hand, and the strategic aspects that are seen to define PM on the other. For purposes of analysis, the Pollitt (2001) typology condenses financial management into four areas namely: *budget making, budget implementation, accounting plus audit and control*. Performance management is similarly condensed into three areas namely: *target setting, performance measurement and monitoring and reporting*. Figure 3.1 gives an illustration of the interfaces as discussed by Pollitt (2001, 17). The interface between the financial management and the performance management generates integration. It is this integration that forms the analytical framework for the current study (see section 4.6 for a discussion of the Pollitt (2001) integration typology as adopted in the study).

Figure 3.1 Key Processes In Financial and Performance Management

Financial Management	Performance Management		
	Target setting	Performance Measurement	Monitoring and reporting
Budget Making	A	B	C
Budget implementation	D	E	F
Accounting	G	H	I
Audit control	J	K	L

The Pollitt (2001) typology resonates with the Oxford Advanced Learners Dictionary (2010) description of integration as 'different parts are connected and work closely together'. According to Pollitt (2001) the level of integration will vary according to the different financial and performance components being integrated.

Despite these glowing attributes of PMM, there have been voices of caution (see for example, Bouckaert & Peters, 2002). Halachmi (2011) outlines the challenges faced by public organisations in their attempts to adopt performance management systems; these among others include the inability to measure the qualitative aspect of service delivery. It extends to inertia derived from oversight and accountability as connotations of excessive control of organisations by the public. Halachmi (2011) therefore recommends an extensive cost benefit analysis as public institutions adopt PMM systems.

Ittner & Larcker (2003) are cautious as well. They discuss the mistakes and remedies that could be adopted by organisation as they implement PMM. They further argue that non-financial performance measurement systems should not be made substitutes for financial performance. Their assertion is similar to Kaplan & Norton's (1996) Balanced Score Card (BSC) that advocates for balanced quantitative and qualitative methods of performance assessments. They underscore that although difficult to measure, it is the non-financial indicators that will predict financial health of the organisation as well as act as a catalyst for internal reorganisation. By highlighting customers, processes and/or organisational learning as part of performance measurement, Kaplan & Norton (1996) give a comprehensive framework that links the short-term to the long-term strategy of the organisation.

At a theoretical level Norreklit (2000), presents the short comings of the BSC as a performance management model. While she makes specific reference to the inconsistency in explaining the cause and effect assumptions of the model, it is the analysis of strategic control capacity of the BSC that has significant relevance to the current study. This analysis calls for an evaluation of the strategy and the actions of the firms that adopt the BSC with specific attention to the internal and external stakeholders. That the BSC as suggested by Kaplan & Norton (1996) excludes the internal, suppliers and public service stakeholders as asserted by Norreklit (2000), would be a challenge for its applicability to the HE sector in Uganda for two principal reasons: first, by its nature internal stakeholders both staff and students have a significant role in the functioning of HEIs; and second, the public sector was the sole funding body for HE until only two decades ago, and it continues to play a significant role in both public and private institutions.

Norreklit (2000) suggestion to adopt a coherent strategy vis-à-vis the BSC provides yet another lens to the study of integrated performance management systems. Although it highlights both financial and non-financial measures, Norreklit's analysis similar to Ittner, Larcker, & Meyer (2003) and indeed the BSC by Kaplan & Norton is grounded in the 'bottom line' that is majorly applicable to profit based firms and/or organisations. Although Norreklit highlights the shortfalls in the four tranche portfolio of performance management as outlined by Kaplan & Norton (1996), her focus on financial performance limits the extent of applicability of her proposal to HE institutions. This is because each of the stakeholders in HE has their own interpretation of performance, more so when customers and internal stakeholders cannot be easily distinguished. As a measure of financial integration for the HEIs in Uganda therefore, the Pollitt (2001) typology is arguably more relevant.

The foregoing literature shows that it is the perspective embraced by the organisation that will determine the success of the performance measurement mechanism it adopts. The focus on organisational objectives advanced by Kaplan & Norton (1996) and Otley (2001) show that qualitative aspects can be captured in a PMM system. The review gives the pros and cons of the different performance management tools and highlights the benefit of the adoption of the Pollitt (2001) typology in the analysis of integrated FMSs. Because integration focuses on both the financial and the strategic performance, the sections below explore the variables as they apply to the integration continuum, beginning with costs and resource allocation.

3.4 Costs and Performance Management in Higher Education

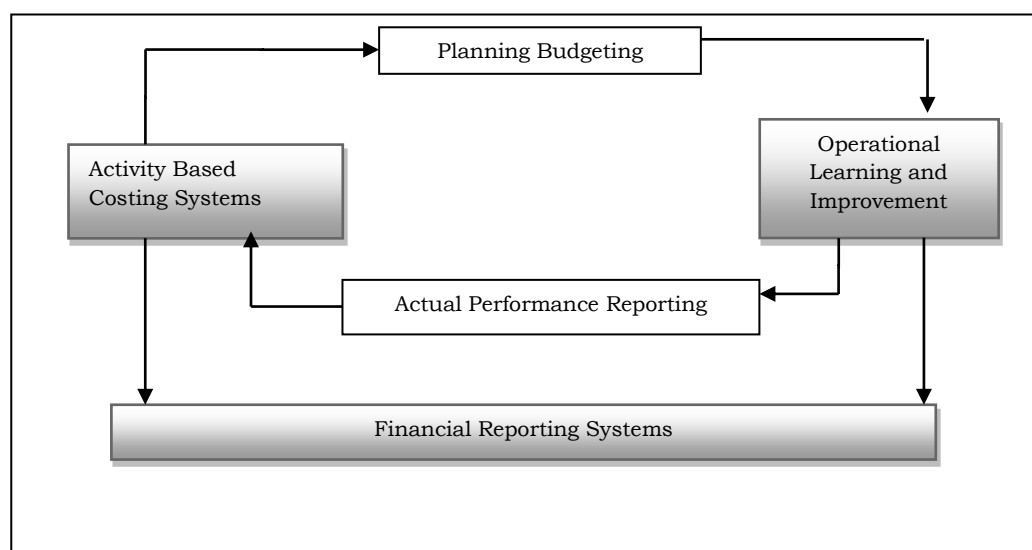
Financial management in HE, according to Prowle and Morgan (2005) is a comprehensive package that covers: financing structures; resources allocation; strategic financial planning; managing budgets; costing and pricing; financial control and audit.

Research on costs in HE has predominantly focused on three aspects, namely: affordability and access; private and social returns to HE; and value for money (see for example, Paulsen & Smart, 2001). The trend has been on questioning the rationale for the rising costs of HE, who should meet this cost and the balance of state and individual obligations in financing of HE (Johnstone, 2004; Wellman, 2010). While these studies provide a basis for appreciating the context of costing in universities, the major focus of this section is the process through which costing for activities within the institutions is undertaken. It highlights discussion on how costing impacts on the performance of the organisation, specific reference is made to how costing models facilitate integration between the financial and non-financial aspects.

Costing according to Oduoza (2009, 136) “exposes the rate at which resources are consumed within an organisation”. From an economic view point, costs are defined as the price of the direct and indirect inputs used in the production process. Attempts have been made to compute the cost function of universities and establish the optimal enrolment levels (see for example Toutkoushian (1999) in Brinkman (2006)). Adopting the economic definition of costs reduces the education process to a production line and contrasts with the concept that students are both an input and output in the education production process (Lewis & Stiles, 2004).

Whereas Brinkman (2006) highlights the value of costs and costing in the decision-making process in HEIs, Kaplan & Cooper (1998) present a four stage model for evaluating costs and performance management. The Kaplan & Cooper model highlights the transition from Stage I standard costing framework that is characterised by poor data quality and inadequate financial reporting mechanisms. This type of framework characteristic to emerging organisations is disjointed and meets neither the needs of managers for decision-making nor the reporting requirements for external stakeholders. At the other end of the spectrum is Stage IV which underscores an integrated system with fully linked database systems that cater for the financial reporting as well as strategic and operational needs of the organisation (see Figure 3.2). This stage according to the Kaplan & Cooper (1998) model is the ideal status that extends beyond availability of data and information to operational learning and improvement. The stage is also comparable to the coherence strategy complement to BSC proposed by Norreklit (2000). Although designed for the profit sector, both the coherence analysis Norreklit (2000) and the fourth stage as outlined by Kaplan and Cooper (1998) provide a basis for the identification of benchmarks for analysing the status of the FMSs of public and private universities in Uganda.

Figure 3.2: Fully Integrated Cost and Performance Management System (Stage 4)



Kaplan & Cooper (1998) note that most established organisations are at stage two where they are able to meet the basic financial reporting requirements of external stakeholders such as governments and other regulatory bodies. At this stage, they have limited integration and

rarely implement performance measurements. The Kaplan & Cooper model is relevant to HEIs because i) the HE 'industry' has unclear products with a high level of cross-subsidisation and overheads; ii) several of the private institutions would be characterised as emerging. The model therefore provides a framework for evaluating the adequacy of private institutions performance reporting systems and how they compare to their public and more established counterparts.

The challenge with existing cost studies as outlined above is the exclusivity of costs as the basis for evaluation of HE performance. Under this arrangement, the primary focus is cost reduction, which is a necessary but insufficient condition for effective HE delivery. Nevertheless, it is important to capture the costs and costing perceptions of the senior managers in an analysis of financial management regimes of institutions. This is because costs are a key ingredient for financing and financial management of any organisation.

3.4.1 Determinants of Costs in Higher Education

Related to the costing model adopted by HEIs are the cost drivers. Cost drivers have been defined as factors that have a direct influence on the performance and cost of activities. Massy (2004) notes that increased costs in HE are as a result of diversification of activities within universities, notably the focus of staff time on research without the prerequisite additional resource inflow from research. In other circles (see for example Lewis & Stiles, 2004), it is viewed as cross-subsidisation between activities within the institution. Santos (2007) review of public research universities concluded that undergraduate teaching programmes subsidise research activities within these universities. The main rationale for these cross-subsidies is the implicit role that HE has in societal development. Because universities are prestige maximisers and prestige is predominantly derived from research output, institutions tolerate the deficits created by research activities. This to other scholars is seen as the balance between the financial and the mission aspects of the institutions (Zemsky, Wegner, & Massy, 2005).

Cross-subsidisation is compounded by the absence of expenditure guidelines and transparent financial reporting mechanisms in public institutions (Lewis & Stiles, 2004). Institutions are more concerned with the level of resources that will be appropriated vis-à-vis what those resources would be utilised for. As a consequence, the expected level of resources 'in pursuit of academic excellence and prestige' is a major cost driver (Bowen, 1980, 19).

Within an organisation costs cannot be delinked from resource allocation. Whereas costing facilitates an awareness of what it takes to produce one unit of output, resource allocation is the basis for the realisation of objectives within the organisation. Therefore while it is important to integrate the financial and non-financial aspects of the organisation as advanced by PMM, it is equally relevant that the resource allocation pathway adopted by the organisation facilitates this integration. The linkage between resource allocation and costing in HE is more evident in the discussions by Slaughter & Leslie (1999). By adopting an entrepreneurial culture, institutions allocate resources where they expect higher returns. In such scenarios, institutions are more aware of where costs are incurred; which to a large extent is the ABC guiding principle. The next section outlines research that has been undertaken to demonstrate how financial resources influence the performance of HEIs. Specific reference is made to the resource allocation models and the factors which direct resource allocation within the universities.

3.5 Resource Allocation in Higher Education

Resources allocation within HE could be viewed from two perspectives: i) the external perspective mainly applicable to public universities that receive funding from the public sector; and ii) the internal perspective which considers resource allocation procedures, levels and focus within the institution. Increasingly however, there has developed a mutual dependence between the internal and the external, whereby the operations of institutions are geared towards attracting additional resources (for a discussion of resource dependence theory, see Pfeffer & Salancik, 2003). Conversely external resources are moving towards institutions that have outstanding performance as discerned from established indicators under the performance based funding model (Orr, Jaeger, & Schwarzenberger, 2007).

Within HE, resource allocation models can either be performance based (Orr, Jaeger, & Schwarzenberger, 2007), centralised or decentralised (Jarzabkowski, 2002) or focused to a specific area (Santos, 2007). The broad categories however range from the modern market-oriented systems to the more traditional state-oriented systems (Clark, 2001).

3.5.1 Resource Allocation Models in Higher Education

Exploring the possible resource allocation models in HE, Lasher & Sullivan (2004) highlight the advantages and disadvantages of the different forms of resource allocation. Similar to Jarzabkowski (2002), Liefner (2003) and Orr, Jaeger, & Schwarzenberger (2007), Lasher & Sullivan further categorise the models into two: i) the traditional, line based incremental

models; and ii) the performance based and more robust models that have been applied by government funding agencies but have started to permeate institution-academic unit allocations. Lasher and Sullivan (2004) note that while the concept of budgeting or resource allocation remains the same, the financial realities of 21st Century HE call for more flexibility and robustness in budgeting.

Line item budgeting is characterised as an input oriented, process and precision management focus by the granting authority. As the traditional type of resource allocation, it has been associated with poor planning because of the limited linkage to performance. It is largely incremental in nature and inefficient because there is no incentive to evaluate costs and expenditures. There is a general lack of association between the budget, and the source of revenue. It also does not acknowledge the receiving entities mission, goals and objectives. It therefore provides no room for new developments and ideas within the institutions. These shortcomings notwithstanding, line item budgeting creates stability, is easy to monitor and minimises conflicts within institutions (Lasher & Sullivan, 2004; Orr, Jaeger, & Schwarzenberger, 2007). Performance based management on the other hand, is output oriented and focuses on outcomes as a basis for resource allocation. It has also been championed by the proponents of NPM as one of the tenets of the futuristic management concept (Orr, Jaeger, & Schwarzenberger, 2007).

While incremental budgeting is seen as the more stable option, the shortcomings highlighted above affect its credibility as a resource allocation model. On the other hand, although formula or performance based allocation models are primed over the traditional models; because of the political manifestations and the level of adoption at national levels, their impact on academic departments remains minimal (Lasher & Sullivan, 2004). Furthermore, due to financial limitations, neither the state nor the institutions can afford performance based budgeting in its entirety (Orr, Jaeger, & Schwarzenberger, 2007). Several scholars and practitioners advocate for the middle line, Duderstadt (2000) for example, has advocated for Responsibility Centre Management which combines elements of incremental and formulae funding. Under this arrangement units that generate resources are allowed to keep them to further advance the institutional mission. They however, have to contribute to the common good which is the management of central activities of the institutions through some form of tax or remittance. The advantage with this model is that it makes units responsible for meeting the costs they incur. And as noted by Lasher & Sullivan (2004), RCB is expected to reduce inequities and inefficiencies that have been associated with the incremental allocation models.

It is thus viewed both as a rational approach to budgeting and a signal for the decentralisation status of the institution.

Other scholars (see for example Massy, 2004) note that institutions will adopt a mixture of both incremental and performance based resource allocation models, with varying degrees of emphasis. In this perspective, allocation models would be context specific as opposed to the generalist approach. Although he asserts that these are short term measures that may not significantly affect the long term success of the University, it has been argued that culture evolves and performance is incremental (Ashworth, Boyne, & Delbridge, 2009; Torraco & Hoover, 2005). Therefore, the changes in individual activity as a result of resource allocation are likely to contribute to the long term character of the institution. At the same time, it illuminates the focus of the institutions since resource allocation has impact on performance and activity that academics concentrate on (Liefner, 2003). Thus, while performance based funding may be superior to the traditional line item funding, it has drawbacks which need to be considered by systems that adopt it.

From the discussion by Liefner (2003); Jarzabkowski (2002); Orr, Jaeger, & Schwarzenberger (2007) and to some extent Clark (2001); it can be surmised that public resource decline has changed how institutions allocate resources, and the activities and focus of these allocations.

3.5.2 Centralised and Decentralised Resource Allocation Models

Jarzabkowski (2002) views resource allocation as a management tool that would be used for compliance and control within the organisation. She presents the circumstances under which the different allocation models are applicable in the University setting. Her claim is that centralised setting is more applicable within a competitive environment while decentralised setting would be more applicable within a pluralistic and loosely coupled environment. Jarzabkowski argues that because of the differences in history and structure, resource allocation models manifest differently in several universities. Meyer & Rowan (2006) on the other hand, argue that there is a tendency towards homogeneity in the management of education institutions as they seek legitimacy from their environment. This institutional isomorphism generated by legitimacy requirements would nullify the structural differentiation as discussed by Jarzabkowski (2002).

Nevertheless, Jarzabkowski (2002) gives three parameters of analysis for decentralised or centralised resource allocation; these include strategic directions, locus of control and cross-subsidy (Figure 3.3).

Figure 3.3: Strategic Implications of Centralised or Decentralised Resource Allocation Models

Indicators	Centralised	Decentralised
Strategic directions	<ul style="list-style-type: none"> • Longer term strategies • Higher overarching strategic direction 	<ul style="list-style-type: none"> • Existing strength • Higher Departmental strategic responsiveness
Cross-subsidy	<ul style="list-style-type: none"> • Greater cross-subsidy 	<ul style="list-style-type: none"> • Lower cross-subsidy
Locus of control	<ul style="list-style-type: none"> • At the centre • Bids for central resources 	<ul style="list-style-type: none"> • Departmental heads • Budgetary performance indicators

Jarzabkowski (2002, 7)

While Jarzabkowski (2002) neatly parcels the manifestations of centralisation in resource allocation, it is possible that there are varying degrees of application to the different institutions. Orr, Jaeger, & Schwarzenberger (2007) for example, argue that there could be cases where budget performance indicators act as a basis for resource allocation in a centralised system, or where long term strategies have been adopted as a binding factor in a decentralised environment. That notwithstanding, Jarzabkowski (2002) provides a useful analytical framework. The manifestation of the three parameters of strategic direction, cross-subsidisation and locus of control are assessed for application in public and private universities under the current study.

The next section explores how processes and decision-making structures have been applied in organisations; it also highlights the comparative potential that may apply in the study of public and private University management.

3.5.3 Factors that Influence Resource Allocation

Lasher and Sullivan (2004) identify: institutional; demographic; political; as well as economic and financial as environmental factors that influence resource allocation to and within HEIs. Financial health at national level will not only determine the level of resources that could be allocated to the institution, but are also likely to be a reflection of the level of disposable income within the population; a factor that is likely to impact on the effective demand for HE. In some cases it also affects endowments and third stream income that are increasingly becoming a major source of revenue for universities.

Similar to Jarzabkowski (2002), Lasher & Sullivan (2004, 213) note that mission age, size and location will affect resource allocation at institutional level. They broaden it to include governance structures that are distinct between public and private universities, financial condition of the institution as well as emerging technologies and patterns of instruction. In

terms of size, Prowle & Morgan (2005) note that when organisations become large and complex delegation of decision to lower levels is one of the options for effective management. They further argue that budget delegation communicates trust and improves the decision-making process. This would be the premise for decentralised resource allocation and/or governance within HEIs. De/Centralised resource allocation has been extensively discussed by Jarzabkowski (2002), who presents the tensions that exist for institutions as they transition from one management form to another.

3.6 Decision-making, Organisational Structures and Financial Reporting

Shattock (2003) outlines five principles of good financial management in successful universities namely: financial stability; even distribution of financial literacy; conservative institutional spending approach; financial management structures; and financial analysis and accountability to inform decision-making. These principles underscore that the primary basis for financial management within organisations is information for decision-making.

For a comprehensive discussion of financial management, accounting and decision-making, the concept of management control systems has to be explored. Management Control Systems (MCS) do not only give an overview of the processes that enable institutions to function but have been discussed as constituent components of financial management. They highlight the planning, budgeting and performance measurement of institutions (Langfield-Smith, 1997). Otley (1999, 364) asserts that MCS is a management tool that would 'assist organisations in developing and maintaining viable patterns of behaviour'. Invariably, Ferreira & Otley (2009) argue that MCS are intertwined with performance management systems.

MCS have been defined as the process by which managers ensure that resources are obtained and used effectively and efficiently to accomplish organisational objectives (Langfield-Smith, 1997). While the concept was initially viewed from the accounting perspective, it has been broadened to embrace all control functions that integrate activities within complex organisations (Kloot, 1997). Chenhall (2003, 129) notes that,

The definition of MCS has evolved from focusing on the provision of more formal, financially quantifiable information to assist managerial decision-making to one that includes external information related to markets, customers and competitors... It extends to predictive information and decision support mechanisms as well as informal personal and social controls.

The discussion and reference to MCS is relevant to the changing environment of universities, because it portends the adoption of management technologies that were a preserve of the private business sector. By taking a holistic review of planning, budgeting and performance measurement, MCS embody the changed ethos that would explain how systems have evolved with the changing environment. MCS however, have limitations since they are biased towards profitability and efficient allocation of resources, yet universities are perceived to be non-profit organisations.

At a broader level and in relation to MCS is governance. Kezar & Eckel (2004) have discussed University governance as a multi-level concept that embraces decision-making functions and processes by different bodies. Similarly, Lasher and Sullivan (2004) highlight governance structures as one of the factors that influence resource allocation in universities. Universities however have a choice between the collegiate and corporate models of governance (Lapworth, 2004). In similar vein, extending the work of McNay (1995) and building on the discussion by Clark (1998), Middlehurst (2004) highlights a continuum of models ranging from the traditional collegiums and bureaucracy to the more recent enterprise and corporate models. While no University has wholesomely adopted either model there is a tendency for institutions to be more inclined towards corporate governance as resource inflows are diversified, a view that is shared by both Lapworth (2004) and Middlehurst (2004).

Several questions to highlight the decision-making comparisons in public and private universities arise. Key among these is the level at which decisions are taken: the faculty; the department; or the individual and the extent of disengagement from resource providers. These underline institutional autonomy as a key factor in the discussion of decision-making within universities. Autonomy is not limited to power to make independent decisions but also the ability to fulfil the University mission. These two components are often related to sources and adequacy of resources, and combine both procedural and substantive autonomy (Chiang, 2004). As noted by Clark (2001) and Slaughter & Leslie (1999) diversity in resource acquisition would grant more autonomy than if institutions depend on one source of funding.

Slaughter & Leslie (1999) argue that the conditions under which institutions receive funding and more especially the discretionary nature would be a major factor of institutional autonomy irrespective of the public or private orientation of the resource. Indeed they note that there are cases where the public block grants provide more autonomy to institutions than the diversified private based research grants.

3.6.1 Financial Information and Decision-making

Information within the organisation plays a key role in financial performance (Kaplan & Cooper, 1998). Information literacy has been defined as ability to access, evaluate and use information from a variety of sources, it is a set of abilities requiring individuals to recognise when information is needed and have the ability to locate, evaluate and use effectively the needed information (Doyle, 1994). With respect to financial information literacy it would mean ability to appropriately synthesise institutional cost, expenditures and revenue information within a framework that meets institutional goals and objectives.

From the accounting perspective, financial information is predominantly associated with financial statements outlining the assets, income and expenditure of a business enterprise as contained in the balance sheet plus the income and the cash flow statements. Information provided under this category enables organisations to determine their profitability and has four main qualitative characteristics namely: comparability; readability; relevance; and reliability according to the International Accounting Standards Board (IASB)⁸. For non-profits and especially within HE the financial information scope extends to budgeting, priorities, cross subsidisation, sources of revenue, who makes the decisions and how budgets are communicated to the respective units. While the major aim of financial information is to facilitate decision-making for investment, within HE and especially in the case of a public University it extends to transparency and accountability.

Bushman & Smith (2001) argue that externally controlled financial accounting data could be used in control mechanisms to promote efficient governance. They further note that financial accounting information is an important tool for resource allocation within an organisation. Their discussion however, focuses on profit making organisation with emphasis on executives compensation vis-à-vis share holder dividends against an agency theory background. Their discussion does not include the value of non-accounting information and the process by which accounting information is generated and disseminated. The Bushman & Smith study complements PMM studies that have outlined how executives discern performance based on qualitative and non-financial indicators (Ittner & Larcker, 2009).

⁸ <http://www.iasb.org>, the IASB is responsible for establishing international accounting standards that have been adopted by several countries to facilitate comparability of financial reporting, statements and the global movement of capital.

Underlined by Goedegebuure & Westerheijden (1991) as a factor that could influence both financial and non-financial performance is the highly specialised nature of HEIs. Universities have a monopoly over institutional information creating mutual dependencies between the institutions and government/funding agencies. But more often than not, tipping the balance in favour of institutions, which determine the nature and level of information that is revealed. This scenario applies to both public and private institutions. Both sets of institutions possess information that their resource providers and/or other stakeholders including governing boards are not privy to.

3.7 Conclusion

The foregoing literature outlines the constructs that define financial management. Underlined is the trajectory of PMM which has increasingly characterised financial management in public organisations. From synthesising performance as a primary concept in financial management, the review focused on the identified variables ranging from costing, resource allocation, and governance to decision making within an MCS framework. Three key texts stand out as relevant to the current study: first, Otley (1999) proposes a performance management framework that focuses on objectives, strategies, targets, incentives and rewards as well as information feedback loops; second, Kaplan & Cooper's (1998) four stage model illustrates the transition from basic to integrated performance systems; and third, Pollitt (2001) which demonstrates the link between the variables that define financial and performance management in public institutions. The framework in the section below gives an overview on how these links have been conceptualised.

3.8 Conceptual Framework

The literature in the foregoing sections provides a rich basis for developing the conceptual framework for the study. It highlights an emerging tension in two competing discourses. While the traditional performance systems concentrate on financial measures; the contemporary systems focus on non-financial measures (see Otley, 1999; Ferreira & Otley, 2009). This is despite the rhetoric that financial management and indeed PMM should include both financial and non-financial measures (Ittner & Larcker, 2009). It therefore creates a need to balance both perspectives of the organisation, even when subjectivity in the non-measurable predominantly non-financial performance measurement and rewards still persists (Ittner, et al., 2003). On the other hand, while combining both the Otley (1999) framework with the Kaplan & Cooper (1998) model provides the variables that could be considered in the study of

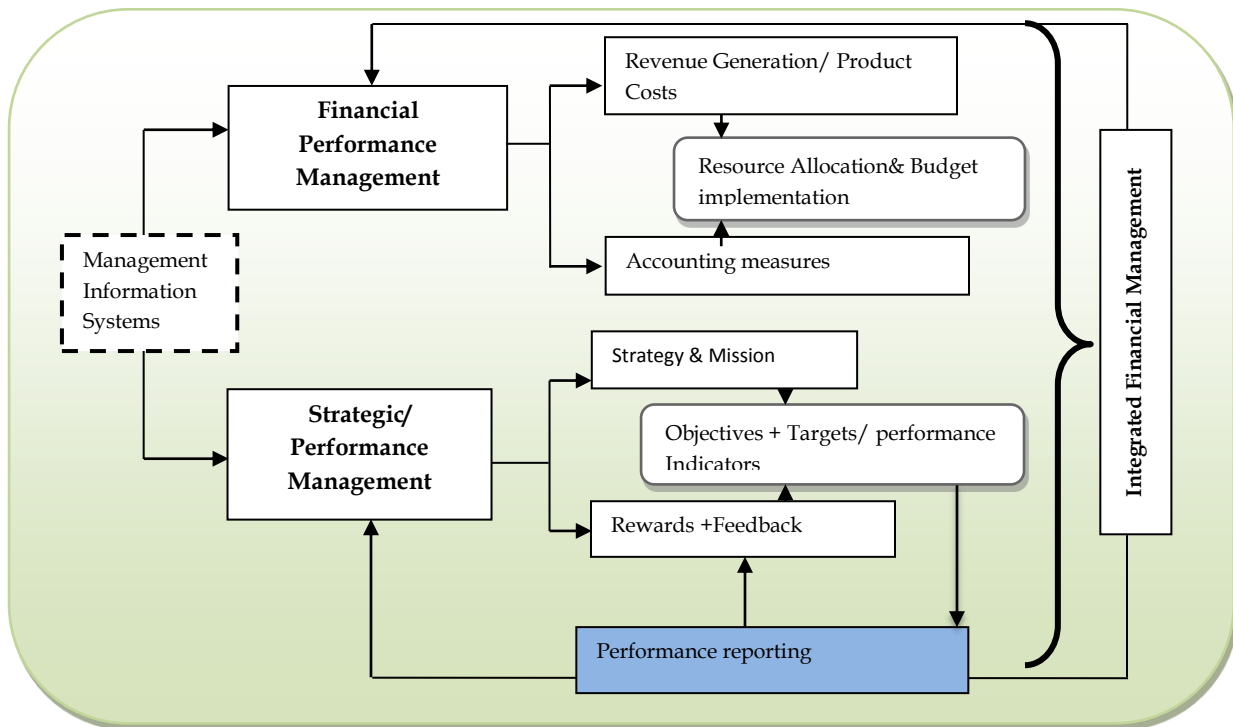
integrated FMS, integration as a construct in response to research question one of this study is best explained by the Pollitt (2001) typology.

The combination of the Otley (1999) with Kaplan & Cooper (1998) models derives from the shortcomings that are bound to be observed if the models were to be used individually. For example, the Otley (1999) framework does not make explicit reference to strategy or the overall direction of the organisation, and yet strategy is the defining variable for performance within the organisation. On the other hand, while the costing concepts put forward by Kaplan & Cooper (1998) are of significant relevance to HE, they too have limitations since they have not been fully embraced by HE as an industry (Cropper & Cook, 2000). Moreover, HE is still at the definition stage of its position within the production sphere (Bok, 2003; Duderstadt, 2000). This is because unlike the conventional production process, the students are inputs, outputs and products and yet they could also be categorised as 'customers'. With its primary focus on product costs, this phenomenon highlights the limitations of the Kaplan & Cooper (1998) model as a sole descriptor of PMM within HE, and thus the adoption of a combined framework for the current study.

At another level, whereas the Otley (1999) study provides variables for situational analysis, it does not provide for time variations. The Kaplan & Cooper (1998) model on the other hand outlines a transition through the stages. The realisation that organisations have to go through a process before they can attain a fully functional performance measurement system provides a realistic frame of reference for the institutions in this study. The four stage model highlights reporting for decision making and operational control as it applies to internal stakeholders; it further focuses on reporting for accountability, value for money and the need for legitimacy that targets external stakeholders.

Figure 3.4 shows how the framework that combines the Otley (1999) and the Kaplan & Cooper (1998) model has been conceptualised. The schematic representation highlights a MCS that brings together the financial and non-financial perspectives for decision-making and eventual contribution to the performance of the institutions. On the one hand, although revenue generation and product costing are constituent components of financial performance management they influence resource allocation (financial performance management). On the other, strategy and mission combine with rewards and feedback to influence objectives and targets (strategic financial management). The combination of the variables informed the broad thematic areas that were used as the semi-structured interview guide (appendix 1).

Figure 3.4: Conceptual Framework for Evaluation of Integrated FMSs



It is however, worth noting that the models as presented by Otley (1999) and Kaplan & Cooper (1998) are normative and provide an overview of how superlative FMSs operate. They therefore serve as benchmarks for FMS best practices. Furthermore, while the conceptual framework draws from Otley (1999) and Kaplan & Cooper (1998) to identify variables used in data collection and analysis, the Pollitt (2001) financial and performance management typology is applied in evaluating how these variables combine as a measure of FMS integration.

4 Research Design

Financial management research is increasingly explored from the perspective of PMM (Ittner & Larcker, 2009). PMM evaluates the financial and non-financial aspects of the units being studied. In other cases, financial management research evaluates the rationality of the organisations. In this instance, organisational strategy and targets are mapped against realised performance. This chapter outlines the adopted design for undertaking research on FMS in HEIs in Uganda within the PMM framework. The chapter accentuates case study research and the rationale for choosing case study as a strategy of inquiry. It describes the choice of participants and the underlying principle for elite interviews as one of the driving factors that guide the data collection process (Dexter, 2006). Further discussed are the study limitations and the ethical considerations in undertaking the research. It outlines the adaptation of the Pollitt (2001) typology as the conceptual structure for the investigation of integrated FMSs in HEIs.

It however, begins with the operational definition of financial management as conceptualised from the researcher's perspective.

4.1 Background

There are variant descriptions of financial management; from the private sector view point financial management is to enhance decision-making in order to maximise the wealth of shareholders (Moyer, McGuigan, & Ketrow, 2009). Within the public sector Guthrie et al. (1999) underline the significance of financial management to NPM and intrinsically PMM; they argue that the strength of NPM as a concept is contingent upon financial management reforms. Within the current study, financial management refers to the interface between the institution and its stakeholders for the fulfilment of goals and objectives. It is mapped against a structure which utilises financial management components such as resource mobilisation, costing and resource allocation as performance indicators (Modell, 2003).

The starting point for the evaluation of performance and indeed financial management of universities in this study is the stated strategy of these institutions. Mintzberg (1987) has various conceptions of strategy; one of these is as a plan intended to achieve a certain purpose. Strategy highlights how organisations view themselves and represents the mission of these institutions. Organisational performance however, is evaluated through targets, which go hand in hand with key performance indicators and will indicate how well the actors have been able to move towards the desired state. Evaluation of performance will under this notion entail

ascertaining the extent to which the business plans of the universities are consistent, complete and coordinated with their missions. However, as noted by Ittner & Lacker (2003) non-financial indicators should be used to complement financial performance. Strategy therefore is evaluated vis-à-vis the financial management components as outlined by Modell (2003). To undertake this investigation the study adopts the case study approach. It adopts a multiple case study replication design as elucidated by Yin (2009). The section below gives the format of the case study as adopted by the study.

4.2 Case Study as a Strategy of Inquiry

This study begins from a preliminary proposition that the diversification of HE provision has impacted the financial management practices of public and private universities in Uganda. Under this premise, the study seeks to understand the divergences and convergences of the FMSs of individual institutions. The four cases, two public and two private universities provide the basis of the multiple case study. The cases compounded are likely to reflect the financial management status of HEIs in Uganda than if one institution was investigated (Yin, 2009).

The adoption of a multiple case study enhances the validity of the research especially since the researcher is intricately linked to one of the case studies. This generates tension for what has been categorised as insider research. Replication provides the opportunity for objective verification and comparison of the operating systems within the different institutions. That notwithstanding, insider research has some benefits. Where observation for the other institutions is intermittent and largely borrows from the formal interactions outside the research process, there is an opportunity for closer observation in Mak. At the same time, since one of the objectives of this study is to improve practice, insider research plays a significant role in providing access to information that would not be easily available to an outside researcher.

Case study has been utilised and discussed by other scholars as a strategy of inquiry to understand the intricacies of management in HE. For example, Clark (2007) examines issues related to the entrepreneurial transformation of five European universities and generalises the common elements of successful institutional transformation. Slaughter & Leslie (1999) discuss *within* case and *cross* case impact of globalisation and *marketisation* on the academic and administrative life in several universities in USA, UK, Canada and Australia. Both studies highlight the financial and financing management aspects as they affect the management of HEIs using case studies.

Stake (2005, 445), argues that case studies could be used either to understand the specifics of a particular case (intrinsic) or 'to provide insight into an issue' (instrumental). The case study method analyses a complete dimension of occurrences outlining before, during and after a cataclysmic event to ascertain what changed and what remained constant (Yin, 2009). As a method Yin (2003) and Stake (2005) argue that case study is more applicable when the phenomenon is not readily distinguishable from its context. Deriving from this perspective the cases in the current study encompass both the phenomenon of interest and its context as highlighted by Stake (2005) and Yin (2003). The authors further note that case studies identify and provide evidence to support the existence of specific variables and that these are existential and provide construct validity.

In addressing the first research question of establishing the level of integration of FMSs, the study is descriptive in nature. It hence presents the financial management phenomenon within its context (Yin, 2003). Descriptive design according to Miles & Huberman (1994) enables the researcher to gain more information about a particular characteristic within a particular field. Although the study facilitates in the profiling, segmentation and examination of associative relationships; as a descriptive study by nature, it operates within a natural environment. It therefore neither manipulates variables nor attempts to establish causality.

Whereas the first question provided for the establishment of the status of financial management with respect to institutional systems, the second seeks an explanatory answer which should facilitate an understanding of what influences the behaviour of the institutions selected for this study. These explanations outline the linkage between the different constructs within the study.

Each of the study institutions is treated as an independent case within the HE operational framework. The premise is that while these institutions occupy the same HE space and qualify to be categorised as public or private, each of them is unique given their historical, internal and external dynamics. For example, while Mak as a public institution has been in existence for close to 90 years, KYU has existed in this status for less than 10 years, and is a recent creation that was founded on a merger of three disparate tertiary institutions. Similarly, in the private institutions where the Islamic University in Uganda (IUIU) Mbale was started as a private University with a religious background, Nkumba University (NU) transitioned from the lowest

levels of education to become a University over a long period of time. This founding is therefore likely to be a source of divergence among the institutions.

The study has a three dimensional comparison. First, each of the cases is individually analysed; second, comparison is made between the two institutions in the same category of public or private; and third, the final comparison is made across the two categories. The case analysis is however, sequential to ascertain whether what happens in one University has applicability to other universities in the study. Yin (2009) categorises this as replication multiple case design. It facilitates external comparison which as noted by Stake (2005) is both a grand epistemological strategy and a powerful conceptual mechanism that enriches the learning process about a specific case. From this perspective, the concept of process tracing has relevance to the study because it highlights the possibility of within case and across case comparison (Psacharopoulos & Patrinos Harry, 2004).

The replication logic has been used as the basic criterion for selection of the cases, the starting point is Mak, first, because it represents the development of HE in Uganda; secondly because the transformations that took place in the institutions during the 1990s and 2000s have been lauded as entrepreneurial (Court, 1999; Johnstone, 2004; Musisi & Muwanga, 2003). There have also been dissenting voices that the reforms have not been appropriately handled and they leave room for improvement especially with respect to the internal dynamics of the University more so in relation to how the learning and distributive mechanism is concerned (Kasozi, 2009; Mamdani, 2007; Visitation Committee, 2007).

These parallel views provide the impetus to investigate the financial management of the University. The study acknowledged that the University is operating within a changing national framework that is increasingly inclined towards accountability, financial reforms in the public sector and reducing financing. This provided the basis for choosing Kyambogo University (KYU) as the other public University. In terms of enrolment numbers KYU is comparable to Mak, at the same time its orientation covers both the humanities and the sciences. That notwithstanding, Kyambogo University's foundation brings together three disparate entities to form a University. These values provided both a contrast and a congruence that is essential for multiple case study replication between the two public universities (Yin, 2009).

Because the study is investigating how private ethos has permeated public institutions, I found it necessary to include institutions categorised as private universities to provide a comparison

with the two public universities. The choice of the two private universities was dependent on i) size in terms of enrolment and ii) founding orientation of the universities. Where IUIU was established by a parliamentary statute, the standing regulation for establishment of public universities; Nkumba University is completely private and therefore registered by the National Council for Higher Education as such. Access to information is another factor considered in selecting the universities especially the private; Yin (2009) underscores access to information in determining cases for investigation. The categorisation provided the foundation for determining the institution as a unit of analysis.

4.3 Unit of Analysis

Modell (2009) reviews PMM literature and outlines the achievements, limitations and further research on the PMM phenomenon. He notes that the focus of research is gradually shifting from the field as a unit of analysis to the organisation. He underlines the need to undertake PMM research from both a multi-dimensional and longitudinal perspective. His contention is that PMM research should be integrated with institutional research. While several PMM studies have focused on the multidimensional level of stakeholders (see Brignall & Modell, 2000); the current study focuses on internal stakeholders. By highlighting a differentiated perception between senior management and other members of staff, Modell (2004) provides a research target group segmentation that applies to institutions in this study. The Model (2004) study also provides an elaborate analysis frame to ascertain the permeation of performance management at the different management levels within the universities as well as the actors who influence its implementation.

In terms of analysis this study has multiple levels; whereas the HE field is the focus of discussion, the basic unit of analysis is the institution. Each of the institutions is categorised as an independent case. It is this independence that facilitates replication logic and enables the researcher to generate the unique aspects of each case (Yin, 2009). Analysis of each independent case enables an in-depth review of the cases and by so doing it produces thematic patterns that aide within and between case comparisons (Eisenhardt, 1989), this generates an ultimate appreciation of the Ugandan HE financial management spectrum.

Institutional level analysis compares the different units within the universities; this level provides a micro overview of the practices at the basic units within the institution and also highlights the impact of financial management practices from a discipline specific perspective.

This level of analysis advances the limitations of organisational research put forward by Modell (2009, 3) when he asserts that ‘...little attention has been paid to the dynamic and often recursive interplay between institutional mechanisms across different levels of analysis as it unfolds overtime’. For an analysis of HEIs this contention to a large extent derives from the argument that it is academic units, faculties, schools and institutes that make up the institution. Therefore to understand the machinations of the University one has to consider the individual units that constitute the organisation. Data collection and analysis at the micro unit level such as the faculty or school enhances internal/construct validity as much as cross case analysis enhances external validity (Eisenhardt, 1989).

4.4 Data Collection

4.4.1 Selecting the Informants: Elite Interviews

Process tracing according to Tansey (2007) facilitates data collection about well-defined and specific events and processes. As such, it is important to identify the key actors in the processes. The notion of elite interviews and key informants then had specific relevance as a method in this study. Because the study of financial management is an evaluation of the processes there will be specific human resource who can reasonably articulate these processes. These informants could be classified as elites within the organisation. Welch et al. (2002) have defined elites as experienced and long serving senior or middle managers who have functional responsibilities in the organisation but also enjoy high status in accordance with corporate values. Quoting Macdonald & Hellgren (1998), they also note that the higher the status in a company the more reliable and powerful the data from the elite interview will be.

Thus the selection of participants is purposive and dependent on their roles within the institution. Guest, Bunce et al. (2006, 74) quoting Rommey, Batchelder et al.’s (1986) consensus theory notes that with “cultural competence” or ‘a certain degree of expertise about a domain of inquiry, small samples can be quite sufficient in providing complete and accurate information with high levels of confidence within a particular cultural context’. Guest, Bunce et al. (2006) however, highlight the conditions under which consensus theory is applicable namely: homogeneity of participants; private independent response; and a coherent domain of knowledge. It is also designed to facilitate within case analysis which is critical to the viability of studies with small samples such as the current study (George & Bennet, 2005).

Focus therefore is on the Bursar, the University Secretary, the Vice Chancellor and/or the Deputy Vice Chancellor who are the executive officers responsible for financial management. At the middle level, the study participants are heads of academic units at the level of colleges for the four tier structures and school, faculty or institute for institutions operating the three tier model. Participants in this category include Principals, Deans and Directors. Administrative unit heads cross over between executives and middle managers. While institutions categorise them as executives and they sit on executive committee meetings, their function as heads of administrative units places them at the middle management level. The basis for the choice of middle managers is that decisions that affect mission specific performance of universities specifically for teaching and research are determined at this level.

At the functional level, the Directors of Planning are responsible for, facilitating the development of the strategic intent of the universities; the interview guide ascertains their perception about the practices adopted by the institution with respect to strategic planning and its attendant requirements and practices. Addressed in the interview guide to this category of staff is the awareness about the financial control mechanisms within the institutions and the linkage between the strategic plan and financial resources/mechanism. The interview schedule to Directors of Planning served as the pilot in three out of the four institutions in the study. Corroboration for the responses was attained through an identical interview with the University Secretary, who as accounting officer brings together both the financial and strategic arms of the University.

Figure 4.1 provides a generic hierarchy of the informants across the institutions under study. For purposes of anonymity of the participants in the study, a generic format was adopted. Although no governance and other staff segment informants were included in the study, Figure 4.1 gives a general overview of the institutional and hierarchical setup. Whereas the Executives can view financial management at the general macro level, the middle managers, Deans and Directors have insights in the operational context at the micro unit level. Consideration from both the micro and macro dimensions enhances the inductive capacity of the research and enriches the validity of the data collected.

4.4.2 Data Collection Methods

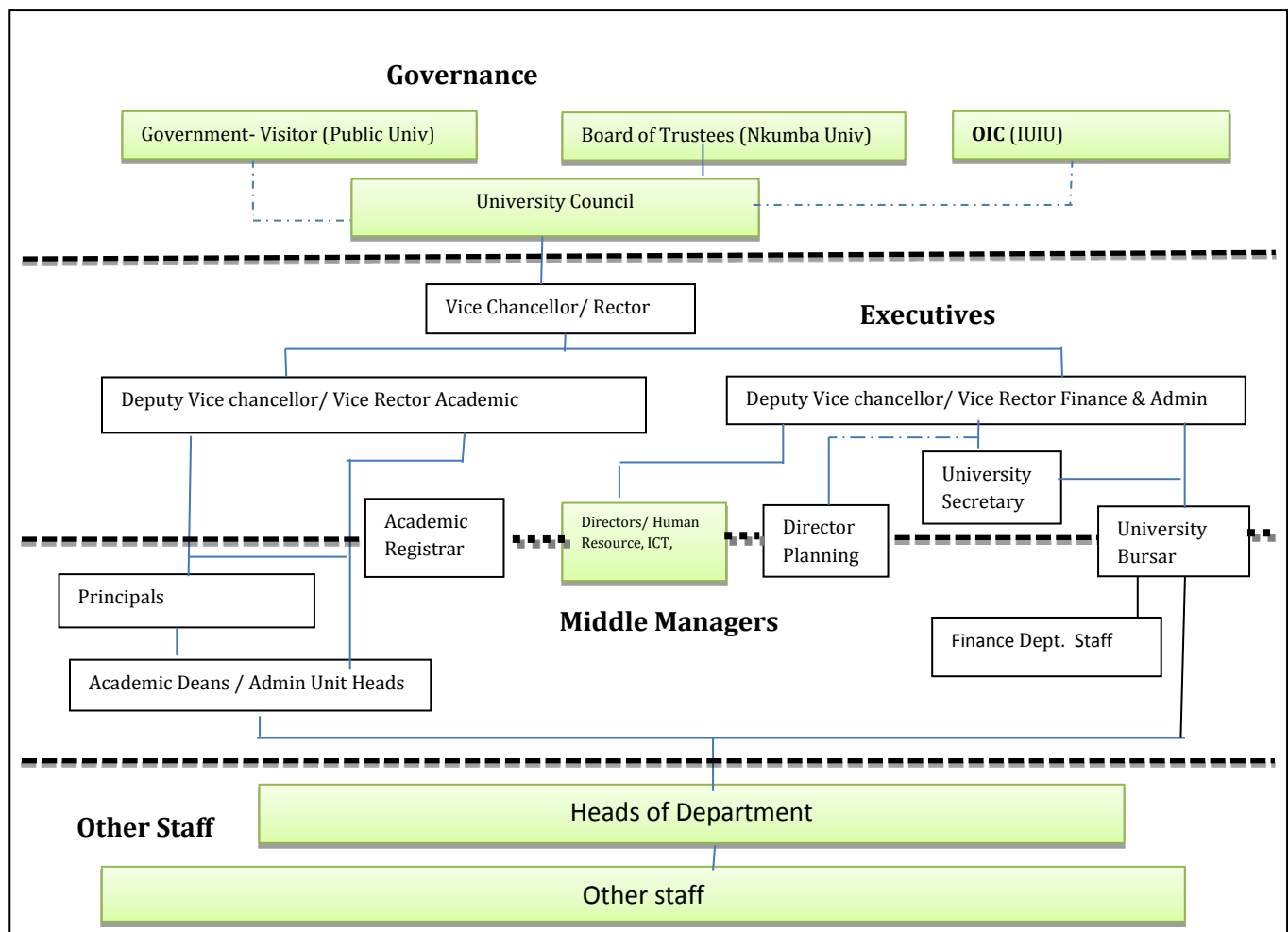
Outlined below are the three key data collection methods used. The section highlights the context, the assumptions and the rationale for adopting a combination and/ or specific method in each of the study cases.

1. Document review/archives- this concentrated on distinguishable variables captured from available documents within the institutions. The documents provided the formal institutional structure, financial austerity from the final accounts, budgets, annual reports and policy documents that outlined the financial functionality of the institutions. Documents review had three dimensions: the Final Audited Accounts, and budget documents provided the financial aspect; policy, prospectus and strategic plans documents provided the non-financial and performance benchmark for the institutions. Institutional annual reports, newsletters and National Council for Higher Education reports were used in discerning the actual performance of the universities in the study. These documents further informed the follow on questions during the semi-structured interviews. National Budget Documents such as the Draft Estimates Books and the Budget Framework Papers further fed into particularly the public universities' information.
2. Observation requires expansive periods, so this was limited to Mak where the researcher had the ability and time to observe financial management practices especially from the committee system employed by the University. This insider research phenomenon for the other cases was limited to interactions between institutional representatives and the researcher outside the structured research process, notably through meetings and other forums that bring together higher education institutions in Uganda. The observed processes whether in Mak or the other institutions, were then factored into the semi structured interviews as a mechanism for controlling bias.
3. Semi structured interviews were used to supplement observations and document reviews. The interviews focused on perceptions, narratives and operational relationships. Eisenhardt & Graebner (2007, 28) note that in addition to rich empirical data, interviews provoke reaction and could provide in-depth insights into intermittent and infrequent phenomenon. They however, note that interviews are subject to bias and 'retrospective sense making by image conscious informants' which bias was

mitigated through diversification of participants and document reviews. Figure 4.1 shows the hierarchical set up of informants for this study.

The research design also acknowledged that “interviews are a manifestation of active interaction between two or more people and provide negotiated contextually based results as opposed to being neutral tools of data gathering,” (Fontana & Frey, 2003, 62). To moderate these short comings, data collection was sequenced to enable building and learning of additional data requests. Eisenhardt (1989) notes the importance of overlapping collection with analysis in case studies which helps in triangulation and creates the much needed flexibility in data collection.

Figure 4.1: Graphical Representation of the Informants and Their Positions within the Institutional Hierarchy



In the collection of data for the study, I heavily drew from the assumption that these universities are operating within the same field of HE and therefore likely to have intersecting

narratives. The comparison of narratives provided a platform to temper the bias generated from the subjective nature of 'elite' key informants that was adopted by the study

4.4.3 Research Themes and Questions

This section outlines the questions that underpinned the empirical focus of the study. The questions were targeted at informants who were categorised into three i) financial managers or staff that deal directly with financial issues within the universities; ii) middle managers at the level of deans and directors in the teaching units; and iii) University executives. This grouping combined with the conceptual framework, guided the chronology of questions. This is because while some questions cut across all the three categories, others were unique to a specific category. Two interviews were held in Mak to pilot the questions. That notwithstanding, the first interview in each of the other universities was used as the customising frame for the questions and subsequent interviews.

The thematic questions followed the preliminary assumption that each of the universities in the study had a strategic plan. Institutional strategy support questions in the study were therefore designed to reflect the linkage between the strategic plan and other components within the financial and PMM spectrum. The questions follow the thematic distinction outlined in the literature review and the conceptual framework. While both financial management and performance management cover a wide range of perspectives, the questions are designed to address the salient features and the general perceptions as Oppenheim (2005) suggests. The questions belong to three classifications: Category 1 relates to the base systems that facilitate financial management. The category is predominated by the non-financial perspective of the study including MCS, PMM and institutional strategy; Category 2 represents the management of financial resources and the intricacies of financial management as identified by Shattock (2003). These include revenue generation; budgeting and resource allocation; and costing within the universities. Category 3 which addresses the FMS, focuses on institutional capacity to handle financial management and the impact of standardisation and external influence to the operations of the University (Clark, 2001).

After identification of the broad thematic areas, the development of the interview questions was partly informed by two resources: One was the Financial Management Accountability Questionnaire for Managers, Office of the Comptroller General of Canada; the tool was designed as a self-assessment tool to enable managers in public offices appreciate the financial

management environment in which they operate.⁹ The other was a generic project financial management questionnaire developed by the World Bank and used by other development agencies such as the United Nations and the African Development Bank in the assessment of financial management capacity of institutions undertaking development projects¹⁰. A detailed interview guide is shown in section 9.3. As a structured interview guide, the necessity for reflexivity was evident from the responses made. Examples included cases where answers to a preceding question pre-empted the need to progress to the next question within a specific segment.

The adapted broad question headlines are defined below; the detailed questions and the matching category of informants are outlined in section 9.3. The outline of the questions followed the conceptual framework taxonomy to highlight financial and strategic tenets (thematic questions 2,4,5 & 6) within a framework that focused on PMM, accountability to internal and external stakeholders (thematic questions 3 & 8) as much as it focused on the decision making structure as captured by the MCS and the FMS (thematic questions 1 & 7). It is however, worth noting that the questions were only used as a guide and there were cases where the responses cut across the thematic areas. As a semi-structured 'elite' interview process, responses to a specific question were used to inform follow on questions.

1. *Management Control Systems*: Investigates the financial management framework of the University
2. *Institutional Strategy*: Determines the linkage between the institutional strategy, mission and resource allocation
3. *Performance Measurement and Management*: Provides a synthesis of the perception of performance at the different hierarchical levels within the University. It extends to reporting, rewards and feedback.
4. *Revenue Generation*: Provides the status of diversified financial resource and how it changes the behaviour of universities
5. *Budgeting and Resource allocation*: Outlines the resource management and allocation mechanism of the University
6. *Costing Within the Universities*: Establishes the University costing structure and the factors that influence it

⁹http://www.tbs-sct.gc.ca/pubs_pol/dcgpubs/tbm_133/quest1-eng.asp \ "Introduction "accessed 5/1/2011

¹⁰http://www.unicef.org/angola/media_3390.html

7. *Financial Management System*: Highlights the guidelines, accounting method and the existing supporting structures
8. *External and Stakeholder Focus*: Establishes the perception and linkage between the University and external stakeholders

4.5 Data Analysis

The analysis structure starts with individual cases. Identifying patterns and categories in each case provided an appropriate base for comparison across the cases with respect to private/public or private/private and public/public. The pairing mechanism generated a more holistic interpretation with respect to similarities and differences in the compared institutions. It also enabled the researcher to control extraneous variations and thus provided external validity to the generalisations that emerge from the study.

Data from the interviews was sequentially transcribed by institution, content analysed and coded. As outlined by Tansey (2007) elite interviews in addition to corroborating information from other sources are useful for establishing what a specific category of institutional actors think. A total of 37 interviews were conducted. An additional 4 meetings were held in Kyambogo University to clarify key findings. Appendix 9.2 gives a breakdown of the informants by institution.

Data analysis in this study maintained the broad thematic areas/variables outlined in the literature and the conceptual framework. Further thematic fusion was developed using the qualitative analysis software *Atlas TI*. While the coding made reference to the broad thematic areas as outlined in the conceptual frames work, it further generated categories and qualified description for the thematic areas. Coding was further used to validate content saturation. Nevertheless it is the interpretation and contexts as perceived by the informants that provided an insight into possible divergences and convergences of institutional practices. The clustered quotations form the basis of the Figures presented as findings in Chapter 5.

From the onset data was analysed simultaneously with collection, this facilitated further understanding of specific cases, subsequent data collection exercises and cross case analyses. Data from document reviews was tabulated and compared against the assertions

from the interviews. It thus provided the basis for rich description of the financial management context of the institutions in the study. *Within case* analysis considered the different features in the institutions. In this approach the study explored how the concept of performance management has been applied. Reference was made to budgeting and resource allocation, but more specifically how the different units interpret performance management and how it is defined at the institutional level. Worth noting however, was that as a qualitative research, it largely draws from human perception and understanding.

While the institutional final accounts, budgets and annual reports provided the financial aspect, the policy documents and strategic plans provided the non-financial and performance benchmark for the institutions. The policy documents gave an overview of the national context and expectations. They also provided an appropriate basis against which responses from the interviews were compared and/or triangulated. Although the overall orientation of the study is cross sectional, the financial reports gave the longitudinal perspective of the study by showing the income, allocation and expenditure trends.

The concept of integration as a response to Research Question one; *How integrated are the FMS of public and private Universities in Uganda?* was approached from the strategic/performance management vis-à-vis financial management interface as outlined by Pollitt (2001). The Pollitt (2001) framework as adapted generated the levels and varieties of financial and strategic management integration as discerned from the analysis of interview transcripts and documents of universities in the study. Figure 4.2 is an adaptation of Pollitt's (2001) framework. The adaptation broadens the performance variables to include strategy because target is an operand of strategy. Similarly, although the Pollitt (2001) model which considers public enterprises is silent about resource mobilisation and product costing, these are key financial components when resource diversification is a measure of performance as it is in the public and private universities in Uganda.

Figure 4.2: Key Processes for Financial and Strategic Integration

Financial Performance Management	Strategic Performance Management			
	Strategy, Mission & Targets	Performance Measurement & Management	Rewards & Feedback	Performance Reporting
Resource Allocation & Management	A	B	C	D
Resource Mobilisation, Revenue Generation/ Product costs	E	F	G	H
Accounting Method	I	J	K	L

Adapted from Pollitt (2001; 17)

Figure 4.2 highlights the interface between the financial and the strategic management components. The matrix captures the variables as outlined by the conceptual framework set out in Figure 3.3. These as derived from Otley (1999) and Kaplan & Cooper (1998) were the basis for the thematic questions used for the structured interview guide outlined in section 4.4.3. The strategic performance axis highlights the intent and expectations from the institutions. It is the contextual perspective that outlines the non-financial segment. The axis represents new forms of financial management. The financial performance management axis on the other hand, outlines the traditional format and the key concepts that define financial management within the institutions. The link between the new form and the traditional financial management represent an integrated FMS. Whereas *Strategy Mission and targets* can be independently evaluated, *PMM*, *Rewards & Feedback* and *Performance Reporting* are a function of the stated strategy. For the financial performance axis, whereas both *resource allocation & management* and *resource mobilisation* can be evaluated independently, the *accounting method* is a function of the two. As a measure of integration therefore, interface (A) and (E) stand out.

Although supplementary, interfaces (B), (C) (F) & (G) are important because they signal a transition from the traditional form of financial management to a new form which recognises and rewards performance; interface (G) demonstrates a movement towards adoption of corporate practices of performance incentives based on financial performance. Interface (D) would signal internal cohesion where resource allocation and management is informed by performance reporting. Interfaces (L) and (H) denote the link between the institution and the external constituents, it brings out adherence to industry standards in accounting (ISAB) and the expected formats by resource providers. It is however, worth noting that although presented these interfaces are indicative and there will be varying degrees of occurrence. From a theoretical perspective and as the findings demonstrate, although interfaces (I), (J) and

(K) are also presented within the framework, their occurrence likelihood is remote. For example, rewards and feedback are independent of the accounting method adopted (K). A detailed discussion on the extent of integration in the four institutions in the study is outlined in Chapter 6.

4.6 Ethical Considerations

In undertaking the study the researcher subscribed to established research ethics standards as described by Cohen, et al. (2007). In order to gain access to the institutions in the study, letters of introduction were written to the Vice Chancellors. These letters outlined the researcher expectations and the focus of the study, the procedures to be followed and the eventual format of the research report. Response to these letters acted as the 'blue print' of informed consent for institutional participation in the study. Nonetheless, formal contact was made with the identified informants to set up the interview and the principle of informed consent was applied for each individual.

Within Mak, consent for participation was given with the approval of the research study, that notwithstanding, the established procedures for undertaking research for advanced degrees were followed. But similar to the other institutions formal contact was made to the identified participants and informed consent sought.

Furthermore, comparative financial management as a topic is likely to generate substantial debate. Therefore for both institutional and individual participation, negotiations were made to determine the level of anonymity in the research report. Care was also taken to confirm the extent to which financial information obtained for purposes of this study could be revealed. Assurances for a fair and balanced analysis of the findings as well as the expected benefits from the research were made before the interviews a procedure that Cohen, et al. (2007) and Denscombe (2003) recommend. An attempt was made to crosscheck the data transcripts with some informants before data analysis. This effort referred to as 'communicative validation' sought to confirm whether the researcher captured the responses as intended by the participant.

The decision to maintain the identity of the institutions was made based on two key reasons: First, as a case study within a particular environment it was inevitable to highlight specificity as it applies to individual institutions particularly in reference to Faculty and/or College names mentioned in the study. It was also evident that for persons familiar with the HE framework in Uganda the institutions in the study sample are easily distinguishable irrespective of the level

of anonymity adopted. Second, data sources included reports and other documentation from the institution in addition to the semi-structured interviews. Direct references have been made to several of these documents, making it difficult to maintain anonymity. For the individual informants however, a generic level of anonymity was applied. This is also one of the key limitations of the study as highlighted in the next section.

4.7 Study Limitations

While the informants were selected for their functional roles within the institutions, there could be other variables that would influence the responses they provide. For example, informants' characteristics such as the age, experience and the financial management proficiency, the number of years they have worked in their positions and/or a specific university may influence how they construct their narratives. Nevertheless, the study captures a broad overview of how the actors perceive their FMSs within a specified time setting.

Furthermore, the study outlines the external influences from the perception of the internal players. It would have been desirable to understand how the external players perceive the FMSs in Universities. This however, would have expanded the scope of the thesis beyond what would have been manageable.

By adopting the elite interview mechanism, the study outlines the financial management status as perceived by the informants. It therefore elucidates the notion that descriptive qualitative research combines both the researcher's and the informants' interpretations and explanations which are largely influenced by social and historical contexts. Analysis of data in this context can therefore not be perceived as value neutral. The experiences and the biases of both the researcher and the informant are likely to influence the final analysis report. The adoption of multiple sources of data within a specific institution and cross case comparison was designed to counter balance this value bias.

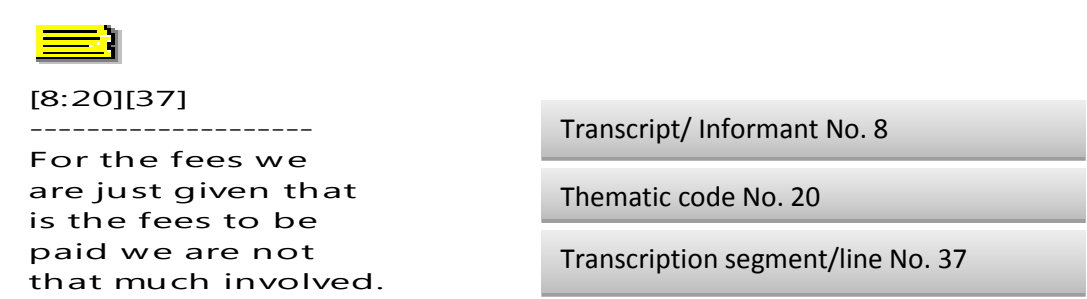
From another perspective, it is evident from the analysis of financial practices in the universities that there is no standardisation particularly in accounting practices with respect to assets and depreciation. The implication here is that the financial status of the institution would be incomparable. The study therefore focuses on the financial management process and not on the net worth of institutions.

5 Findings

This chapter presents the findings in the four institutions on a case by case basis. The chapter brings together information from the document review and the synthesis of the interview transcripts. The structural breakdown of the themes for each case is derived from two key areas: the thematic questions informed by the review of literature and used to guide the semi-structured interviews (see section 4.4.3); and the categorisation of responses from the research informants. The informants have two basic categories, the university executives and middle managers (see Figure 4.1). The primary factor in the choice of informants as explicated by Welch, et al. (2002) was their functional responsibility within the institution.

Using the Qualitative data analysis tool *Atlas ti*, transcribed responses were coded and categorised by emerging themes which are presented as Figures within the chapter. The themes presented in the Figures were based on first, the frequency of occurrence within and across transcripts; and second, emphasis depending on the hierarchy of the informant. The numeric codes as presented by the Figures in the chapter indicate the sequence of transcription for the informants (see Figure 5.1).

Figure 5.1: Transcription Codes Illustration



Captioned for each Figure in the chapter is the interview question to which informants are responding.

Owing to the comparative nature of the study, the chapter is structured along three sub sections for all the cases: first, *the non-financial dynamics affecting financial management* which outlines, MCS, strategy, PMM and performance rewards and feedback; second, *the financial management system* sub section outlines resource mobilisation, allocation and product costing; and third, *financial management structure* captures the process with respect to financial management guidelines, authority to spend and the accounting method. These are

treated as common subjects for each of the cases beginning with the two public universities, Mak and KYU in sections 5.1 and 5.2 respectively followed by IUIU in Section 5.3 and NU which is presented in 5.4 the last section of the chapter.

5.1 Makerere University Case Description

Established in 1922, Mak is the largest public University in Uganda. The University is a multidisciplinary institution that offers programmes ranging from the humanities, to science and technology as well as the fine and performing arts. Enrolment in Mak has grown from 7000 in 1994/95 to more than 34,000 by the 2010/11 academic year. This rapid expansion changed the composition of the enrolment not only in terms of demographics but also funding source and mode of offer in the programmes. Mak was the only University in Uganda until 1989. The budgetary, enrolment and programme offering transitions therefore represent the evolution of University financing in Uganda. Within a period of fifteen years the University had changed from an elitist and purely public setting to 'mass' education status where a public-private partnership predominates. Enrolment composition moved from a fully public supported character to one where 85% of the population is fee paying and more than 57% of the budget was met from private fees and other internally generated income by 2011/12.

From a structural view point, the administrative and academic structures of Mak underwent a restructuring process during the 2010/11 academic year. The process collapsed the number of academic units within the University from 21 academic responsibility centres to 9 colleges and one autonomous School of Law. Organisational hierarchy changed from three to a four tier systems that included: Principals as the heads of the College; Deans as heads of the schools; and the Chair heading a department. Where previously the financial and administrative powers were vested in the Dean of the Faculty, these powers now lie in the office of the Principal. This collegiate arrangement was designed to increase the autonomy of the Colleges with respect to administrative, academic and financial functions (Makerere University, 2010d). Data collection for this study was undertaken immediately after the restructuring exercise. All Principals interviewed had been Faculty Deans that were now acting in the new position. They were therefore managing larger academic and administrative entities than had been envisaged at the beginning of this research project. Nonetheless, the perspectives espoused span across the pre and post restructuring periods. To a large extent they also reflect a longer time frame than the immediate pre-restructuring period.

The sections below give a snapshot of the understanding of financial management from the perspective of the participants. This is given within the PMM framework that integrates both financial and non-financial viewpoints as constituent components of financial management as expounded by several scholars see for example, Groot (1999), Ittner & Larcker (2003) and Modell (2004).

5.1.1 Strategic Performance Management Structure

5.1.1.1 Management Control Systems and Information Management

Within Mak, computer-based MIS has been in existence since 2004 when the University procured the Integrated Tertiary Information System (ITS). This system was designed to capture four components namely, the human resources information systems (HURIS); the Academic Records Information System (ARIS); the Financial Information System (FINIS); and the Mak LIBIS an information system for the management of library information. All informants in the current study agreed that by 2010 the concept of integration of the four systems had not been realised.

For example, alongside FINIS, effective utilisation requires parallel software in the management of the University accounts. Where some units use *Sage Pastel* as the computerised accounting system, others use *Ledger Works* and the rest use *Quick books* or *Ms Excel*. This according to informants in the Finance Department compromises the integrity of information produced. Indeed the fragmented systems which often times create inconsistent reports to different stakeholders featured as a prominent challenge to the FMS of the University. The fragmented information system common across the sector has been the motivation for the new Integrated FMSs proposed by government for all public universities.

Further highlighted by informants was the fact that these systems are not home-grown yet i) the University has limited resources to establish comprehensive service agreements and continuous system support; and ii) there is limited human resource capacity and competencies to manage all the relevant modules. More pronounced is the apparent lack of interest from unit heads and other academic decision makers such as Principals who would have initiated an improvement in the functionality of the system. Figure 5.2 highlights that the challenges associated with the information systems range from fragmentation and ownership to technical challenges and diversity in appreciation of their utility to facilitate both financial and strategic decision making.

Figure 5.2: Information Systems in Mak, Application Challenges



Source Interview Transcripts, Thematic Question 1: Do you have centrally linked databases? How accessible are they? What are they used for? Are they used for report generation? How do they support the financial management process?

Furthermore, there is a weak internal and external communication structure; no forum has been established for the discussion of University finances and the reporting structures are inadequately articulated. The concentration of financial information in the Bursar’s office and the inadequacy of communication structures affect the distribution of financial decision making powers, particularly with respect to resource allocation and management.

Yet even the Bursar is not privy to all the financial information related to research projects, neither does he have adequate information on academic and other strategy related activities in the University. The University has no comprehensive picture of its financial position but rather pockets of information reside in different units. Similarly, neither the University Secretary as

the Accounting Officer nor the Vice Chancellor and Chief Executive can adequately articulate the financial position of the University in its entirety (Visitation Committee, 2007).

5.1.1.2 Strategy, Mission and Performance Targets

The University has gone through three strategic planning cycles, which have been described as participatory. The strategic plan articulates the institutional direction and areas of focus (Makerere University, 2008c). It is however, a generic document that outlines goals and objectives as well as a fluid operational framework that has not been adequately disseminated to the University community. Consequently, annual performance targets have not been well formulated, and there is a fragile link between the strategic plan and annual budget allocation. Informants further noted that the University has not backed up the strategic plan pronouncements with policy. For example one Principal noted,

We want to be research led but we have not put in place structures to facilitate researchers, there should be policies to ensure that we access research money. If you do not put money in laboratories and research infrastructure we are not research led. The strategic plan is just a document that we must have but there are no structures to support it (Principal)

Illustrated by Figure 5.3 are three perspectives on planning. First, it is acknowledged as a good management tool to direct the operations of the University yet its full potential has not been exploited (high). Second, several informants acknowledge its utility for resource mobilisation, the inadequacy of reference to performance indicators, physical and financial targets (moderate). The third category clearly asserts that the strategic plan is not used and was only put in place for legitimacy reasons (low). The gap between resource allocation and strategic planning also manifests in recurrent activities, for example, while the plan outlines the direction of abolition of the post of teaching assistants and adopting the concept of graduate assistants as one of the cost saving measures and the movement towards improved quality, data from the Human Resource Department reveals that the number of teaching assistants increased by 52% from 187 in 2008 the first year of the plan implementation to 285 by 2011.

Figure 5.3: Strategic Plan Utilisation in Mak

<i>Low</i>		<i>Moderate</i>		<i>High</i>	
[4:3][29] ----- No we have not been consulting the strategic plan. Our performance has been in terms of student numbers if we have student numbers that shows our performance.	[5:6][22] ----- The strategic plan of the University I'm told is obtained from College plans. I am not sure this means that my strategic plan must be in there indirectly. It does not work, we are not accountable	[3:8][43] ----- And then you say it is research led and then you do not put money in the laboratories that help the researchers undertake their work. So how can you research led? We should be doing things that help research to go on. So that is why I say that although we have a strategic plan, I think it is a demand that we must have a strategic plan but how do you support the strategic plan nothing!	[1:5][46] ----- I think that overall it gives direction, the focus where the university should go and if it is followed I believe it would be very good tool.	[6:4][12] ----- For one reason or another, the strategic plan made the roles of my office very clear to me. If we are fitting in T&L pedagogy I ask myself who is responsible when I look at the UOTIA I see that as my responsibility. If you are responsible for academic affairs then T&L lies in your docket. So you have to find out how you are delivering the knowledge and the learner centered pedagogy outlined in the strategic plan comes in.	[8:3][36] ----- We use the strategic plan as a resource mobilization tool. Yesterday we had the African Development Bank. The Consultant was waving the strategic plan meaning that this is the bible for him. According to us we are going to use this in the allocations for the project. But basically the external funders such as donors are interested in this strategic plan. But for the government and the internal people, staff, students, the strategic plan does not feature. Government does not even look at it the students may not even know that it exists.
[3:7][43] ----- There is no linkage between the strategic plan which sets our priorities. We are not backing it up with the budget, we are not even backing it up with policy. For example, we say that we want to be a research led university, but we are not helping the researchers instead we are making it difficult for them to bring in money	[1:1][20] ----- While we say that our core functions read teaching, research and KTP, how much do you allocate to each of these core activities of the university? It does not come out. [1:3][37] ----- For Makerere the strategic plan is not used.		[3:5][23] ----- We tell the people our strategic objectives, so when they are writing their proposals they channel them in that direction. For example, we have improved the curriculum and course content based on the strategic plan. That way we achieve		

Questions: *What role does the strategic plan have in the financial management of the University? How often is the strategic plan consulted in your day to day operations? How accountable are you for the performance of the strategic plan*

On the other hand there is a category of informants that disown the strategic planning process. I am not accountable for the performance of the strategic plan was often repeated by the participants, with varying reasons for example, one Principal noted that,

The University does not have money for research, individuals are doing their scratching and doing their own research and producing publications, nobody is even interested in telling you the research they are doing, because the University does not give them money (Principal).

All informants from the administrative block acknowledged that strategic tenets are implicit in their day to day operations, either through the nature of their operations or through the annual requirements in terms of budgeting. Yet there was only one office with clear evidence of a systematic integration of the provisions of the strategic plan in the day to day operations.

Similarly, only one academic unit made conscious reference to the strategic plan not for setting annual priorities but for resource mobilisation.

5.1.1.3 Performance Measurement and Management

Figure 5.4 demonstrates that the University has no established common understanding of performance. While some informants note that the performance indicators as outlined in the strategic plan have not been applied to determine the performance of the University, others are not aware of their existence. This has generated various conceptions of performance within the University: whereas some academic units have localised it to ability to undertake day to day operations of the University such as teaching, others regard it as the number of graduates, publications and research projects. The Bursar who acts as Financial Manager on the other hand, evaluates it in the perspective of realisation of aggregate financial targets.

Furthermore, performance related perceptions are generally implicit since no performance reports have been generated by the respective units. While collectively the University highlights researches undertaken by the different faculties as University research and have highlighted research output in the annual reports and the resource mobilisation efforts for research, the perception of the individual faculty members is that the University does not have money for research and all research undertaken is an individual initiative. This encompasses grants of an institutional nature such as Millennium Science Initiative (MSI)¹¹. It also embraces regional programs such as the Regional Universities Forum for Capacity Building in Agriculture (RUFORUM) and the Bill and Melinda Gates Foundation Regional Programme where Mak is fronted either as the host or a member University. This brings to light the conception that while there could be substantial resources for research, they manifest un-coordinated access and implementation, which is further aggravated by the absence of the monitorable indicators for research at individual and faculty level. At the same time, as elaborated in Figure 5.4, the inability to apply performance indicators is perceived as inadequate interface between the university and government ministries.

¹¹This is a competitive grant facility to improve HEIs especially for the development of science programmes supported by a World Bank loan to Uganda

Figure 5.4. : Performance Indicators in Mak: Mixed Appreciation

] No application		Varied but localised application		
[7:4][23] ----- Nothing. There are no targets They are not determined, there is no annual review of performance indicators . No. You cannot even say that you improve as a result of your performance reporting. No	[7:2][23] ----- How do you measure performance? That question is very difficult. By the way, if you ask Ministry of Education today that how do you determine the performance of universities or Vice Chancellors, they will not tell you. If we institutionalized the monitoring template it would give us an idea or tell the story that this university is performing based on ABC or D.	[3:3][21] ----- From the usual approach: the first definition is if you have your graduates and; the number of papers coming out of the college, then you know you are performing. When we look at the number of research projects but you also want to think that we are looking at either quality indicators. For example, is the quality of graduates you are putting forward good? That one we are still subjective. You will assume that everybody is good all the teachers are good which is unfortunate; right now we are trying to curb this by putting up performance evaluation by the students.	[5:4][13] ----- These are the KPIs if I see research going on, staff have publications. These are not documented. I'm not sure whether the strategic plan has performance indicators that should be followed.	[5:3][13] ----- Three things: first, if the students are studying, if all the courses they are supposed to be done are implemented, if I receive examination results and the students are not complaining then I know there is performance; second, If the lecturers are teaching even if they do their own work then I know there is performance; and third, if I'm in control, when I ask the Heads of Department and Deans produce information which is required, When the system is working: if I want money, it is available, when I want teaching materials then I'm performing.
[3:4][21] ----- The Performance Indicators in the strategic plan. That one I have always laughed when you ask about it- How do I evaluate Performance Indicators in the strategic plan that are not backed up by financial resources. But there are certain things we do. We have sold the SP to members of staff. We say this is our strategic direction, so whatever you do please try to fit within the strategic plan.	[3:10][72] ----- These ministries have not requested for anything so they do not feature in what we do. They have not set any performance indicators, they have also not requested us to help in any way.		[2:13][58] ----- Revenue to expenditure should not exceed 50%- so for the finance indicators they do not exist.	

Question: How do you know your institution is performing?

In terms of reporting, Mak operates a fluid mechanism largely reflecting the requirements of the funding agencies and the national regulatory bodies. As such, the University produces a multiplicity of reports, with similar information but diverse formats to the different stakeholders. To the government of Uganda alone, the University has to produce not less than 7 reports at varying intervals within the financial year. In some cases reports are required by departments within the same ministry, for example, Ministry of Finance Planning and Economic development. Views on the issue of performance reporting vary across the

management levels, whereas the top executives indicate that there is performance reporting especially of a statutory nature, the middle managers indicate that it does not exist.

We do not produce any performance reports. Which would be a good idea to have performance reports, I have seen people telling us to produce those reports, but we also need to create awareness we need to put some guidelines in the change management we need performance indicators on how you have been teaching, management should receive these reports, that is why I'm saying, I have never seen anybody asking me as dean and principal we should report our plans and performance against which we are going to be evaluated. (University Official)

The implication here is that there is no performance communication within the institution. The university's attempt to introduce PMM can be seen from two fronts. First, at the institutional level, the strategic plan highlights the direction of the university and the measures of success in the implementation of the plan. Second, at the individual level, new managers were requested produce business plans that also doubled as performance contracts. This was a new development that produced mixed reactions from internal stakeholders, while some viewed it as a positive step that makes them accountable in their day to day operations, others resented them as an introduction of the 'corporate' practices into the academia, a position that is not helped either by the lack of feedback to the reports produced or the lack of a mechanism to consolidate the individual reports into an institutional report. The draw-back to strategic plan and performance contract attempts was that neither an external stimulus nor a clear internal road map for successful implementation was put in place. In addition, in the case of the strategic plan there was no concrete financial commitment and/or sourcing for the financing of the strategies.

Highlighted in the performance discussion is the qualitative nature of education and parameters that cannot be measured as a major factor to be considered when evaluating the performance of educational institutions. For instance, one source when asked about the performance reports produced noted that,

Whereas there is need for us to do things differently because the world has changed, we should not take it for granted that it is only activities that bring money that are of critical importance to the institution, we must change things but this is not a business institution and there are certain things that you cannot touch but are very important to the institution... people these days do not value things that are of intellectual worth and not financial worth (University Executive).

It is also underscores the limitations of indiscriminate adoption of business sector practices, particularly in an era when the same business enterprises are adopting non-financial practices. Such business practices as outlined in the next section include performance rewards and feedback

5.1.1.4 Performance Rewards and Feedback

Performance rewards and feedback as tenets of resource allocation and management manifest at three levels: first, the institutional with respect to the relationship between the University and Government; second the micro performance assessment that reflects the internal unit based reward system; and third, the individual performance assessment that highlights a human resource function that has been characterised as 'old' with neither performance contracts nor clear elaboration of output expectations, as noted by one official when asked to elaborate how performance was rewarded.

There is problem with the current HR benefit structure within the University. The remuneration and benefit structure we are running today is probably 20 years old and also the optimal establishment for the University has not been determined. For example, you find units with four administrators/ receptionists, do you need them or do you need one. There is a need to review the entire structure of the University to establish the optimal structure, job evaluation, remuneration and come up with a revised structure. (University Official)

Whereas institutional and unit based reward system could be seen from the revenue sources and the resource allocation spectrum. There is no central mechanism for rewarding performance at the individual level as explicated in Figure 5.5.

Figure 5.5: Performance Rewards in Mak: Managers Incentives defined

<p>[5:5][19]</p> <p>-----</p> <p>By promotion, this is the managers compensation in the university. At the time when they are asking for promotion they are compensated. For example, appointment of acting principals was based on whether you have been a manager. Recognition is not considered.</p>	<p>[8:1][28]</p> <p>-----</p> <p>Apart from salary and retirement what else? No incentives because as a public institution when you start giving incentives then you have to account for all the resources. Sanctions for those who have failed to do their work they are called for disciplinary action</p>	<p>[6:3][11]</p> <p>-----</p> <p>Performance is not rewarded. You come in at M7 and you stay at M7. This is one of the things at one stage I was working on how do we recognize the best teacher or the best researcher? I'm still thinking as DVC AA if we had a scientific way, a really robust and thorough criteria for determining the best teacher; the student evaluations are just the beginning.</p>	<p>[1:2][36]</p> <p>-----</p> <p>There are no incentives, for example, we increased application fees by 100%. You would imagine that the subsequent years budget would change as a result of this but this has not happened. I do not think there is compensation, we are told we are cash strapped.</p>	<p>[8:2][35]</p> <p>-----</p> <p>The problem we have is that these are public funds and for public funds permission to give that incentive must come from Parliament. Nobody will say that we will give you so much for having this project or bringing this amount of money. Staff motivation based on reward is low and even recognition is not there apart from mentioning their names on graduation.</p>
<p>[2:14][65]</p> <p>-----</p> <p>Performance is rewarded by effort; how much you generate determines how much you will get.</p>	<p>[3:6][30]</p> <p>-----</p> <p>The university does not have, as a faculty we were beginning to put what you would call recognition for people who have done well. So every year we would have exemplary staff recognised.</p>	<p><i>Question: How is performance rewarded?</i></p>		

Rewards vary across units depending on the level of resources within the unit, headship and the effort by the unit, Figure 5.5. For the academic ranks the core reward mechanism was promotion based on research output. The shortcoming to the teaching staff form of reward system is that this is a predominantly teaching University and yet the reward system in the form of promotion is skewed towards research (Makerere University, 2010c). It therefore draws attention away from one of the core activities of the University in pursuit of the more rewarding prospect of research. At the same time, by implication, once one has attained the highest rank of professor there will be no further incentive for performance.

Performance reward can also be seen from an external stimulus perspective. Research grants and projects generate a form of reward system at all three levels of individual, unit and institution. These add to the financial resources of the University and represent a feedback mechanism in the absence of a structured feedback process. Proposal development has further used as a learning platform for subsequent solicitations. In addition, these projects have in-built financial rewards to the individual as much as they contribute to academic advancement and international recognition as exemplified by the university annual reports (Makerere University, 2008b, 2009, 2010a). Yet they have also generated parallel systems and have been a source of financial management fragmentation.

5.1.2 Financial Performance Management

FMSs have been defined by Pollitt (2001, 11) as 'the operation of those systems and processes designed for budget-making and budget implementation; the maintenance of an accounting system which records financial decisions, flows and transactions, and the auditing of all aspects of these accounts'. This similar to the descriptions made by Otley 1999 and Kaplan and Coopers (1998), provides the basis for discussion of FMS of Mak in the following sections. Specific reference has been made to revenue generation, resources allocation and management as well as product costing.

5.1.2.1 Resource Allocation and Management

In terms of allocation the University operates a cocktail of performance, line and incremental budgeting. At the same time, it operates both a decentralised and centralised allocation mechanism depending on source. Resource distribution within the University is a reflection of both the revenue generation capacity and the focus of the college with respect to teaching, research or graduate and undergraduate enrolments. Table 5.2 gives an overview of the

percentage allocation by funding source, at Faculty level for the FY2010/11. The table underscores one official's comment that irrespective of funding source allocation depends on effort, that is, 'The amounts of resources you generate determine how much you get' (University Official).

Table 5.1: Mak Resource allocation by Unit 2010/11

Faculty/ Unit	Total Budget US\$	Percent of Budget	Percent Internal Revenue	Percent of internal revenue retained at unit
Central Admin Units	34,465,061,626	29.3%	23%	59%
Agriculture	9,956,628,445	8.5%	2%	40%
Arts	6,660,622,149	5.7%	7%	36%
EASLIS- Library & Info Science	1,055,067,592	0.9%	1%	39%
Computing & Inform Tech	6,992,370,819	5.9%	15%	43%
Economics & Mgt.	3,447,568,534	2.9%	10%	40%
Forestry & Nature Conservation	1,516,096,545	1.3%	0%	48%
Inst.Of Stat. & Applied Econ.	2,641,727,072	2.2%	5%	37%
Institute - Adult, Cont. Educ.	3,989,109,291	3.4%	6%	38%
Institute Of Environment	663,869,514	0.6%	1%	43%
Institute Of Psychology	1,323,753,693	1.1%	2%	35%
Law	2,286,817,632	1.9%	3%	37%
Margaret Trowel School of Fine Art	1,659,275,173	1.4%	1%	35%
College Of Health Science	8,788,404,529	7.5%	3%	49%
Science	5,036,685,077	4.3%	2%	41%
Social Sciences	4,420,660,386	3.8%	6%	39%
Technology	4,470,194,631	3.8%	5%	40%
Veterinary Medicine	3,774,625,730	3.2%	1%	39%
School Of Education	3,885,766,912	3.3%	6%	35%
Jinja Campus	861,250,000	0.7%	0%	
Fort portal Campus	1,026,900,000	0.9%	0%	
Halls Of Residence	8,897,231,976	7.6%	3%	48%
Grand Total	117,666,335,579	100.0%	100%	47%

Compiled from the University budget estimates 2010/11 Excludes research and donor funding

The allocations demonstrate a hybrid but stratified resource allocation model that is both centralised and decentralised. For example, for the FY 2010/11, 66% of the total recurrent resource envelope was managed at the centre, predominantly allocated to the wage bill, utilities and other administrative overheads (Makerere University, 2011). The decentralised portion allocated in form of 'ceilings' accounts for the stratification of resource distribution according to function within the University; whereas for the academic units it depends on the number of fee paying students. For the administrative units it is largely incremental and depends on function and mandates of the respective units.

The 'ceiling' model adopted in 2007/08 was an attempt at Activity Based Budgeting in contrast to revenue performance percentage allocation (Makerere University, 2008a). The transition from one form to the other was inadequately communicated and as a result, it was perceived as a unilateral decision from the Finance Department. Figure 5.6 gives an illustration of the perception of the decentralised resource allocation. It also underscores the contention that the

bursar is ‘an extremely powerful person’ (University Executive), and the assertions to the same effect by the 2007 Visitation Committee Report. Yet one informant validated the ‘ceiling’ practice by asserting that it increased access to resources in the unit (see Figure 5.6); which had been the primary objective.

Figure 5.6: Mak Decentralised Resource allocation: Genesis, Debate and Validation

Genesis

[2:10][15]

 Ceilings, people have misunderstood the ceilings. When you draw the budget the first point is to establish your resource envelope, after that then you can determine what you can do within that envelop. It is on those principles that we set the ceilings.

Debate

[7:3][48]	[1:4][45]	[9:4][44]
----- That has been a source of controversy in the university. People have been asking, who determines those ceilings, you are called by the Bursar then you are told that is the ceiling, then you ask who determined these ceilings, that is why some of us insist that we should have that sub-committee reinstated	----- The Finance Department, without input from anybody else, not even Council. We are told this is what you should operate and that is all. We have asked this basis to us that is where we have failed to understand	----- Rss allocation I do not know how these ceilings were established and that is very bad, we have talked about this, and as far as we are concerned, there should be no ceilings, the ceilings are the makings of the Bursar, the University Council set percentages and they are not being followed by the Bursar

Validation

 [5:7][27]

 To this faculty the introduction of the ceiling increased the level of recourses we have from the central admin. Where previously it was solely based on the revenue generation, ceilings enable us to get more resources by nature of the programmes we run.

Question: Do you have ceilings how are they determined?

Furthermore, whereas some informants at both executive and middle management level affirmed that they operate a decentralised FMS others still view their operations as relatively centralised. This is an indicator that the University has not adequately pronounced itself on the operating systems to its internal constituents. One informant for example said,

I think it is more of centralised, because if it was not the case then our unit would be able process all its payments right now whatever payment we make the centre has to be involved. So we can talk of participatory but centralised, (University Official).

Yet even this is in contention since the units argue that:

You are just consulted for the sake of consultation but the reality is that there is someone who makes the decision somewhere, (University Official).

The contradictions as illustrated in Figure 5.6 above have implications: in the first place, the budgeting process at unit level becomes unclear because units have unclear resource expectations, Secondly, it is a manifestation of the tension between the executives and the middle managers, Thirdly, the inadequate reference to policy documentation guiding the allocation of resources in the University implies that the Council which is the policy making organ of the University has not effectively monitored resource allocation. This anomaly was also discerned by the 2007 Visitation Committee when they noted that within Mak, resource allocation information is largely restricted to finance department staff and 'Council had no guarantees that funds are disbursed in accordance with approved allocations to the units' (Visitation Committee, 2007; 16). Ultimately such shortcomings will impact on the performance of the University.

In terms of focus several informants contend that the University has not established appropriate structures to determine resource allocation priorities both at the centre and at the unit level. Resource allocation tends to address the traditional University core areas of teaching and learning, research and outreach as part of routine activities. Sporadic target expenditures for example, for a key laboratory have been initiated by specific units as opposed to a centralised and/or institutional ingenuity to improve the core areas as acknowledged by one executive.

We have not sat down as a University to say that this is the resource envelope, where do we want the institution to go; I think we get the money and then distribute it, but we do not consciously align the distribution to the mission of the University (University Executive).

At the same time, there is a tension in the financial management perspective about who is more suited to manage the financial affairs of the University; the managers who are adequately trained but do not consider the impact of the decisions taken or the academics who produce a wish list with no regard to the resource envelope. While the middle managers believe that the academics have no business in resource allocation, the executives with an academic background think that the financial managers are not doing enough to address key issues that

affect the academic core of the University. These competing discourses are summarised by two comments made by different officials.

It has been left exclusively to money people who do not appreciate the academia, we are at different wave length and they do not value what I value. People responsible for academia should have a say in what we produce. When you leave management of finance to a bursar, you know where it will take you. Academic staff have been relegated yet they are in a better position to articulate the requirements" (University Executive 1)

... this is a person who has never gone to a class where there is anything resembling financial management but wants to do what the finance people do. Write a voucher, sign a cheque, write a cashbook, write accountability and check the bank reconciliations, yet they have never been to that school of thought so that is where the problem is in institutions especially universities (University Executive 2)

On the other hand, it is worth noting that the resource allocation process masks the requirements at several of the units within the University. This was illustrated by the contention by informants when asked to elaborate on how budget priorities are determined.

I have given up on budgeting because the requirements of the various departments outnumber the ceilings communicated by the bursar (Principal).

When the government is allocating resources they use a ceiling. What is the basis of that ceiling? There is no basis. Otherwise the would be basis would be unit cost but it is not that so if you are not following unit cost which you have come up with and have shelved, so what is the basis of allocation of the 50 billion or 100 for that money.... so when you set ceilings you cannot be guided by the need, but guided by the resources. (University Official)

Budget consistency is another shortcoming in the resource allocation practices, but is most pronounced in the development than in the recurrent budget of the University. For example, a review of the budget documents reveal that there are capital projects that have been abandoned or they fell off the priority list even before implementation and new projects have been taken up. Yet no adequate documented explanation has been given for their abandonment. The implication is that i) there is no consistency in either budget requirements specifications or budget allocation; ii) it demonstrates a budget performance monitoring gap the financial constraint notwithstanding; iii) there is no financial analysis undertaken at the end of the financial year to determine performance levels and achievements outside the financial figures; and iv) there is no formal communication mechanism on expenditures to the different units. These shortcomings appear to stem from both human and structural limitations as highlighted by one official.

Budget monitoring was expected to operate at committee level, this committee was dissolved I think by design but monitoring so far is done by the bursar. He is both implementing and monitoring and that creates a challenge because you cannot do both. (University Official)

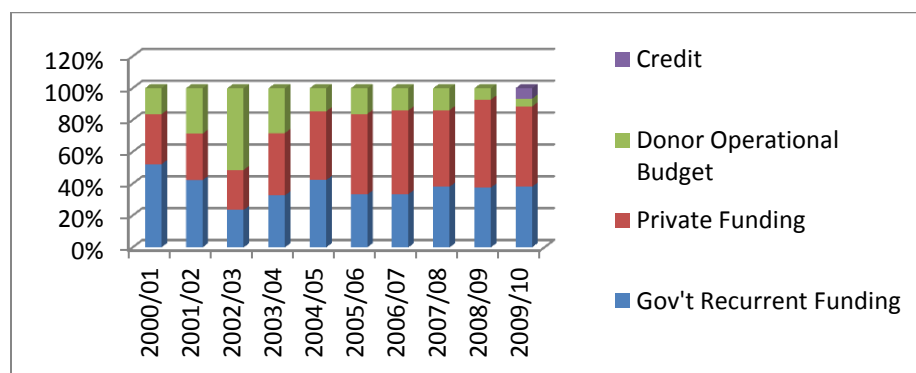
The above assertion affirms the 2007 Visitation Committee, report when they note that Councils do not have the time and technical skills for substantive deliberation or scrutiny (Visitation Committee, 2007, 6). That the Council as governing body has not requested for additional information with respect to the institutional strategy and the objectives expected to be achieved for the respective financial years implies that they do not have adequate information or capacity to understand or reform the FMS of the University.

5.1.2.2 Resource Mobilisation, Revenue Generation and the Diversified Resource Base

Mak has five sources of revenue; that could be broadly categorised into private and public sources. First, public support comes in form of government subvention which comes with a condition for taking on a limited number of students on a fully covered government scholarship. On average Mak has been allocated 2,230 (56%) out of the national annual 4000 scholarships under this category since the scheme begun in 2001/02 (Makerere University, 2010b). Second, private sources which could be further categorised into two: fees in form of tuition and other fees predominantly collected from 'private' students; and income from commercial units. However, where the tuition and other fee resources form part of the total University financing arrangement, the commercial units have a semi-autonomous financial arrangement and their financial statements are not integrated with the University financial reporting.

The third source of revenue would be considered as external and this is in the donor component; it includes bilateral support principally from European governments. These could be viewed from the public perspective since the financing agreements are negotiated by government and the resources appear as part of the overall government financing. However, unlike the requirements for public government support, the institution is expected to develop proposals and case for support. The Strategic Plan plays a key role in the format and level of resources, just like it does with other institution wide 'donor' funding. This funding source falls under performance based public support since its continuity is based on how previous allocations have been utilised; with documented evidence of outputs and outcomes. Added to the financing portfolio in 2009/10 was the funding source credit from a commercial bank to facilitate the operations of the University. Figure 5.6 gives the composition of the categories of funding over a ten year period.

Figure 5.7: Financing of Makerere University 2000/01- 2009/10



Source: Makerere University Finance Department

The fourth category, one that is not reflected in University accounts is individual and unit based research grants. This would further be identified as third stream income. This similar to the donor support is performance based and predominantly funded from external sources.

The fifth category is a new financing trend where academic units own holdings as separate entities that are autonomous from the mainstream University financial management regime. In this category are the Infectious Disease Institute (IDI) ¹² under the College of Health Sciences and the Africa Institute for Strategic Animal Resource Services and Development (AFRISA)¹³ under the College of Veterinary Medicine, Animal Resources and Bio-security. These establishments are shielded from the bureaucracy that defines public enterprises. Thus they are majorly registered as non-government organisations owned by Mak, and are given the mandate to access both public and private resources independent of the general University arrangement. Similar to this is a private consultancy firm Technology Consults (TECO) owned and managed by staff of the College of Engineering Design Art and Technology; This is a limited liability company that offers subsidised services in infrastructure development for the University (TECO, -).¹⁴

The five sources of financing also reflect the different resource mobilisation efforts by the University. They to a large extent underscore performance based resource allocation as it would apply to the University setting in Uganda. On the one hand, there is a government subvention that is treated as a given with no documented rationale for allocation to the University. Nevertheless, periodic increment has involved, protracted negotiations and

¹²<http://www.idi-makerere.com>

¹³<http://www.afrisa-africa.org/>

¹⁴ <http://www.teco.co.ug>

lobbying government officials and more often than not it has come as a result of industrial action (Kasozi, 2009). Apart from this general resource, individual units have written proposals and marketed their output to attract additional support from government. This comes in the form of projects with specific development and research targets and outputs (Makerere University, 2010). Similarly external research grants and institutional support are a result of continuous response to *Request for Proposals* and identification of international funding opportunities. For the private funding from tuition and other fees, resource mobilisation can be seen from the perspective of the capacity by the different units to develop market-based programmes that attract fee paying students (Mamdani, 2007; Musisi & Muwanga, 2003). Thus despite the assertion by several informants that there is no incentive for resource mobilisation, the level of funding to a specific unit largely depends on the mobilisation capacity of the unit. And whereas the executives view resource mobilisation from a regulatory view as exemplified in

‘The problem we have is that these are public funds and for public funds permission to give that incentive must come from Parliament. Nobody will say that we will give you so much for having this project or bringing this amount of money,’ (University Executive).

The middle managers consider it from the point of inequity and proportionate distribution of mobilised resources between the centre and the units.

Table 5.2 outlines three distinct groupings of units based on funding source. Classification one is predominantly reliant of the government and internal allocation, this is the centralised component of the resourcing of units; the bulk of which goes to salaries. Three Colleges namely: Veterinary Medicine, Animal Resources and Bio-Security; Education & External Studies, and Humanities and Social Sciences fall under this category. The second classification has units that largely rely on the ‘ceiling’. This is the decentralised component that is constituted of the percentage allocation of tuition and other revenues generated by the unit. In this category are units with the largest enrolment such as Computing and Information Sciences and Business and Management Sciences. The third classification has a larger component of financing from research funds including the Colleges of Agriculture and Environmental Sciences, Health Sciences, Natural Sciences and the School of Law.

Table 5.2: Mak Cash Based Percentage Distribution of Funding by College 2011/12

Academic Unit	Tuition Contribution transfer/Ceilings	Research Fund	Central Government & internal reallocation	Government, Research/Development Fund	Other Income	Total
Agriculture and Environmental Sciences	2%	43%	39%	16%	0.5%	100%
Engineering Design Art and Technology	9%	26%	33%	31%	0.5%	100%
Humanities and Social Sciences	21%	21%	52%	-	6%	100%
Health Sciences	3%	69%	27%	-	1%	100%
Business and Management Sciences	35%	34%	29%	-	2%	100%
Computing and Information Sciences	48%	3%	28%	-	22%	100%
Natural Sciences	4%	53%	43%	-	0.4%	100%
Law	13%	56%	31%	-	0.1%	100%
Vet Med Animal Resources & Bio-security	4%	22%	56%	16%	1%	100%
Education and External Studies	32%	0%	51%	-	17%	100%
Total	12%	39%	38%	7%	4%	100%

Source: Makerere University Budget 2011/12¹⁵

Although in their budding stage, there are efforts to diversify the resource base to include philanthropy, solicitation from alumni and friends of the University, as well as a venture into investment and endowments. There are offices designated for resource mobilisation and investment. The central offices have developed a management structure that not only incorporates private sector management practitioners but also largely borrows from the business practices into the universities resource mobilisation efforts as shown by the investment policy and resource mobilisation strategy (Makerere University, 2006, 2008d). Adopting these practices backed up by fully constituted policies is an indication of the changing nature of the management of public universities in Uganda. However, their effectiveness in terms of capacity to mobilise resources remains to be evaluated just as much as the significant financial contribution to the University operations is still largely elusive.

Resource inflow to the University is intermittent depending on the source. Whereas resources from government have a relatively quarterly stable flow, donor resources are dependent of the performance of the respective units. Analysis of the resource inflow data from private income in the form of tuition and other fees shows that it is sporadic and mostly realised at the end of each semester. The University regulations that stipulate fees payment timelines are given once at admission. At the same time there are conflicting instructions when it gets to implementation. Deadlines are not respected and are sometimes further complicated by cases of state sponsorship outside of the mandated government scholarships illustrated by one informant,

¹⁵ Research fund synthesized from a separate database

The Bursar says it is financial constraints, acute this financial year 2010/11, because we are told statehouse scholarship scheme did not pay to the tune of 1.9bn. They were allowed to sit exams without paying; now this is a big challenge because 1.9 billion is not small change (University Executive)

Although there is no system for periodic issuance of demand notes or invoices for students to pay fees, informants indicate that two control measures have cropped up to address this issue, i) academic units are slowly taking up the responsibility of denying academic services to students who are not paid up and ii) academic documents are not issued until the student has fully paid up. The challenge over the second option is that the time span between the consumption of the service and payment may be substantial and may be seen as debt servicing from the perspective of the University. The situation can be summed up from the bursar's assertion that

We have tried to enforce that students should not sit exams or tests before they have paid. This accelerates our collections so that we meet our cash needs, although that collection control may not be 100% of what it should be because in the first place no one should access the resources if they have not paid but in the circumstances these are the controls we have. The demand notes are in that form that the units have got to be the collection agents. For example FCIT, students think they are mistreated because they cannot access the services unless they have paid, *(this is only one unit out of the 20)* Law is also trying, COBAMS has started then the Academic Registrar tries to support this, but other units are laid back (Mak, Bursar)

5.1.2.3 Product Costs and Cross-subsidisation

Because the University operates an incremental budget, the costing process is superficial. Mak has not paid adequate attention to the home base of the activities for both the core and the service units. Although several studies have been undertaken in an attempt to establish the realistic unit cost (AH Consulting, 2010; Makerere Institute of Social Research, 2003; Makerere University, 2004), these have largely focused at the academic unit level of Faculty and no comprehensive study has been undertaken to determine the cost structure at programme level. At the same time, it is recognised that the institutional cost structure is dominated by the staff costs which have two dimensions: i) number as they contribute to the staff student ratios and ii) the distribution of academic rank from the Professor to the Assistant Lecturer (AH Consulting, 2010).

In the absence of a viable programme costing framework, resource allocation has been used as the primary indicator of costs. Yet even this has its shortcomings especially with the resource constraints and limited resource prioritisation that have been identified as noted by one Principal.

Because of the resource constraints we call the finance committee meeting to give them a budget but we do not call them to budget, it is largely incremental, (Principal).

Budget requirements therefore are suppressed even without the requisite needs assessment. Thus, by making costing a function of the resources allocated, several key items are excluded from the costing computations.

The data reveals that the suppressed requirement specification notwithstanding, the student unit expenditures, are significantly higher than the fees paid by the private students (see Table 5.3). Therefore fees which would have been an appropriate indicator of costs fall short of this utility. Although Table 5.3 highlights the financial position of the University over a nine year period, it underlines the subsidy to the private student. Yet at the operational especially unit level it is the private resources that provide expenditure flexibility (Makerere University, 2004); thus underscoring the concept of cross -subsidy within the University.

Table 5.3: Mak Financial Resources Structure 2002/03-2010/11(UShs Millions)

Year	02/03	03/04	04/05	05/06	06/07	07/08	08/09	09/10	10/11
Income	63,885	62,625	77,899	91,411	108,804	115,753	116,507	118,151	143,642
Operating Expenditure	62,628	67,611	86,952	84,527	124,011	121,188	131,329	124,724	135,813
Surplus/deficit	4.26	(5.05)	(9.03)	6.88	(15,207)	(5,435)	(14,822)	(6,573)	7,829
Closing financial net worth**	15,112	9,550	1,072	7,957	(7,428)	(10,608)	(25,396)	(26,425)	(17,836)
Enrolment	28,054	32,730	34,817	34,555	34,107	33,222	34,470	33,112	33,469
Avg. student unit expenditure	2.2	2.1	2.5	2.4	3.6	3.6	3.8	3.8	4.1
Average fees per student			1.23	1.23	1.30	1.63	1.25	2.02	1.93

Source, Mak Fact book 2009/10, 2010/11, Financial information compiled from Mak Final Accounts

Cross subsidisation does not only occur between public and private students but is also apparent between different academic units predominantly the sciences vis-à-vis the humanities, it also extends to graduate and undergraduate programmes (AH Consulting, 2010). Cross-subsidy embraces functional level service costs for items such as the ICT, library, research, internships and graduation. These have a specific fee charged and a percentage of the tuition agreed by University to cater for activities related to the function. Allocations however, reflect that these provisions have not been adhered to. For example, one informant noted that,

The internship budget was distributed to all stakeholders and the resources involved are known, but I have not been able to undertake some components because I'm told there is no money, yet as a University we came up with a fee which we knew would cover all components (University Official)

The indication that there is no follow up on Council approved percentages for the service units highlights not only the absence of transparency in information flow but also a short fall in institutional capacity for decision making. It is this communication gap coupled with the fragmented status of the information system that generates arrears and deficits, because both the budget allocation and monitoring functions are weak. This is further aggravated by a fragile financial management structure as elaborated in the next section.

5.1.3 Financial Management Structure

Financial affairs within the University are managed at three different levels; first, at the institutional level, the UOTIA stipulates that the University Secretary is the Accounting Officer of the University. Holding the portfolio for the administration of the University assets places the University Secretary at the head of the financial management edifice of the University; Second, from a functional perspective the University Bursar mandated by the Act to oversee financial administration and planning of the University as well as maintaining the accounts is at the helm of the financial management structure within the University; and third, at the unit level, the University has since 1994 been operating a decentralised financial management structure. The Head of Unit/Dean/Principal is the accounting officer at this level.

5.1.3.1 Financial Guidelines and Authority to Spend

Under the adopted decentralised financial management model each unit is treated as a cost centre that operates independent accounting procedures. Authority to spend therefore lies at two levels within the University. The central level is controlled by the University Secretary and the Bursar while the unit heads authorise expenditures at unit level. The portfolio for budget monitoring and control however, lies with the centre which makes the final approval based on the available resources as illustrated by Figure 5.8. Further demonstrated by Figure 5.8 is that although not documented, these processes have been adopted as standard guidelines to inform the financial management process since the documented guidelines are out-dated, ignored or largely seen as a preserve of the Finance Department.

Figure 5.8: Mak Financial Management Guidelines: Challenges of Application

<p>[3:9][68]</p> <p>-----</p> <p>I think they exist but as to whether we follow them that is a differed matter. I have seen a copy but I have never read them. I assume through the auditing process they help us to follow the financial guidelines.</p>	<p>[5:8][39]</p> <p>-----</p> <p>We have guidelines but the challenge is that the money is too little and in the middle you lose track of the budget. So the budget and the allocations based on transfers/releases are not aligned. Like what we were fighting for recently, we were just waiting for the releases. The money that came was much more than all the previous months, which means that we were not operating until the end of the semester when the releases were made. We were waiting for this money to start paying retrospectively. We continue in that bad state</p>	<p>[8:6][69]</p> <p>-----</p> <p>There are even documents that give accounting instructions and other forms of internal guidelines. But they are out of date so they cannot even be enforced. Some of them even contradict the laws because the laws came it 2003 whereas the guidelines came in 1995</p>	<p>[9:5][65]</p> <p>-----</p> <p>No within the college we follow the budget. Within the University, I think they he (Bursar) are there in his office although they are not being followed. I'm not aware of them so I have not been using them.</p>
<p>[1:6][67]</p> <p>-----</p> <p>There is this from MOFPED, but at least our accountant had one. For the university there is a manual, I would not know whether they are enforced.</p>		<p><i>Question: Do you have financial management guidelines? How often are changed? At what level are they enforced and what demonstrates that they are adhered to?</i></p>	

On the other hand, interview transcripts revealed that the FMS is highly bureaucratic even though decentralised. Whereas the units initiate payments as outlined in their budgets, the payments have to be sanctioned through a process that involves both the finance department and audit before payments are effected. These are further compounded by an unclear and sometimes conflicting procurement process as stipulated in the 2003 Public Procurement and Disposal of Assets Act. This coupled with fragile financial communication framework about available resources creates uncertainty in the disbursement at unit level. It also generates three fundamental problems to the FMS of the University. i) units create arrears because they consume goods and services ii) budget monitoring becomes difficult iii) it stifles the activities and therefore creates uncoordinated performance. Emphasising this position some Principals noted:

Although there is a budget the money that comes is too little compared to the budget, therefore we have to re-prioritise depending on the funds released, (Principal).

For the money we have spent they do not send us anything, they just send us money/ releases without telling us that this money is for so and so or how the money has been collected. We do not know how much we have received we just spend according to the budget at the unit level therefore budgets are not monitored.(Principal)

This to a large extent also accentuates the lack of transparency because, the intermittent flow of resources means that heads lose track of the budget.

5.1.3.2 Accounting Method

Introduced in FY 2004/05 to recognise revenue receipts in the accounting year while expenditures can be accrued, the University operates a modified cash accounting system. The arrangement gives the University the flexibility report expenses as arrears at the end of the financial year yet it also underscores the predominantly cash based national economy. On the other hand, since all assets are expensed at the time of purchase and no depreciation has been factored into the books of accounts it can be argued that the modified accrual accounting mechanism is also applicable. At the same time, because both internal and external financial audits recognise the 'carry forward' system of accounting adopted, it can thus be argued that the modified cash accounting mechanism explains the budget deficits reported by the University despite the commitment control system adopted and recommended by government (see Figure 5.9). It also highlights the inability of the University to break even as elucidated by the university bursar.

So partly I can say the commitment control and the flawed systems contribute towards our inability to break even; we cannot be able to ascertain who our students are and therefore we do not know who our debtors are (University Bursar).

This highlights the non-compliance to International Financial Reporting Standards (IFRS) and the challenges associated with the inability to ascertain the net worth of the university. Figure 5.9 gives an overview of the accounting system as underscored by University Executives.

Figure 5.9: Mak Accounting System: Format and Implication

<p>[8:5][61] ----- Modified cash. Half accrual and half cash, you see like you say don't over commit and then you don't give me money. How do you expect me operate? That is why in some instances you are allowed some accruals. For example, if you look at the net worth of these institutions; their assets are not valued so if you are talking about going accrual then you have to ascertain the assets, the value of land, and other assets. This is not done even in financial reporting it is not part of reporting. Assets are depreciated 100% at the point of acquisition. When it comes to the next year you do not recognise the previous year's assets.</p>	<p>[2:1][4] ----- We operate a modified cash to the effect that we recognize revenues as and when they are received but we also recognize expenditures as and when they happen. Except for a few liabilities like pensions and creditors relating to main activities like food and utilities, at the end of the year we accrue for those, we recognize them in the accounts but we are not fully accrual</p> <p>[2:2][4] ----- We give out are expenses at the time we give out the money at the yearend we run the accounts to find out who did not account but it is not fully accrual accounting</p>	<p>[2:12][34] ----- We are more like government but that is not the right thing, the other major thing is that the importance of accrual is to determine your efficiency, the university in in the PPP so we need to see how we are spending, do we break even we cannot see that if we do not go accrual, valuing our assists, depreciating them, even depreciation should be expensed.</p> <p>[2:3][4] ----- On tuition fees we need to run accrual kind of system but because we do not have the systems to know who is your student so we only recognize that revenue when they pay</p>	<p>[2:4][4] ----- Otherwise at the beginning of each semester we should be able to know our debtors, should the semester come to an end and some students have not paid they should appear as debtors, but we do not have adequate student records for tuition</p> <p>[2:5][4] ----- I think the new system that government is procuring for public universities if it is fully accrual it would capture these anomalies</p>	<p>[2:11][26] ----- We use modified cash, we are non-compliant with the IFRS because we use modified cash, we are just like government and we are also not compliant with IPSAS we don't follow that because they are also accrual.</p>
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Question: What type of accounting system do you use?

The accounting system coupled with the mismatch between the fees paid and the expenditure levels have been sighted as the major cause for financial deficits. Nonetheless, to ensure legitimacy within the accounting fraternity, and facilitate comparison and compatibility with international and national funding agencies, the University similar to other public agencies subscribes to the IFRS of book keeping; income and expenditure statements; as well as the internal and external audit function. Yet as discerned from Figure 5.9, there is varied appreciation of the accounting method applied and its ability to facilitate effective performance reporting.

5.1.4 Conclusion

The foregoing section focused on the Mak case study, it emerges that the financial management spectrum of Mak has been shaped by several factors; two major ones being the introduction of fee paying programmes running parallel to government scholarships, and the establishment of the UOTIA as a regulatory framework. Intervening factors can be seen in light of the financing, performance as well as FMSs and structures. Despite the age and size of the institution, several finance related challenges stemming from both the internal and the external environment still exist. First, the University operates a fragmented MIS that inhibits effective internal communication and external reporting. Second, the resource allocation mechanism is largely incremental and operates within a pseudo- decentralised setting. Third, although there is evidence of movement towards diversification of the resource base, funding is still dominated by student and student related initiatives in the form of government subvention, tuition and other fees. Fourth, the rational approaches of strategy, mission and PMM as adopted from the private sector are yet to fully permeate the University processes. The University has a weak reporting framework that does not sufficiently provide for institutional learning since annual target-setting has not been adequately developed.

The influence of the external environment is reflected in the reporting framework, and the adopted modified cash accounting method. These have not only contributed towards arrears and financial deficits as exhibited in the University final accounts, but have also limited performance reporting to the financial perspective. The challenges largely manifest as a result of the movement towards establishing a balance between the public ethos which previously defined the institution and the private ethos that is a recent phenomenon in the HE sector in Uganda.

5.2 Kyambogo University: Case Description

Kyambogo University (KYU) is the second largest public University in Uganda. The institution acquired university status in 2003 by an Act of Parliament through a merger of three tertiary institutions namely: the Institute of Teacher Education Kyambogo; the Uganda Polytechnic, Kyambogo; and the Uganda National Institute of Special Education all located within the same geographical enclave (Government of Uganda, 2003). Given this background and as a predominantly undergraduate programme based institution, the University characterises itself as skills based. The overriding theme for the University is advancing and promoting knowledge and the development of skills (Kyambogo University, 2007b). The University has seven academic units ranging from Education to Engineering and Special Needs; a mix that reflects the status of the institutions before the merger. The other faculties namely: Arts and Social Sciences as well as Management and Entrepreneurship are a reflection of the nature of the demand for HE in Uganda. These similar to all the four universities in the study, are the large enrolment units with programmes designed to bring in more resources especially from fee paying students. The discipline composition presents KYU as one of the few comprehensive universities in the country to offer both the sciences and the humanities; albeit with limited research opportunities and activities.

Each of the three pre-2003 KYU institutions had a fully established financial management structure and culture which were fused when the merger was implemented. By academic year 20010/11 campus based enrolment had grown to 23,966 up from 4,901 in 2002/03 the first full year of operation¹⁶. The University admits an average of 950 (24%) students out of the annual provision of 4000 students on the full government scholarship in all public universities. By the FY 2011/12 budgetary contribution from fee paying students had risen to 69% of the total revenue estimates (Kyambogo University, 2011b).

In the governance area, the University follows the UOTIA, and, similar to Mak, the supreme governance organ is the University Council whose membership is dominated by government appointees and/or representatives. Out of the 11 non KYU members on Council, three including the Chairperson are designated as Minister's Appointee and the rest represent government in one form or another (Kyambogo University, 2011c). By establishment, KYU

¹⁶ 2009/10 enrollment data from the National Council for Higher Education

inherited the assets and liabilities of the three institutions; including the students, programmes, staff and physical infrastructure (Government of Uganda, 2003).

Subsequent sections here outline the financial management construct of KYU. These underlie a dichotomy of the non-financial facets: strategy, mission, performance rewards and feedback within a PMM framework on the one hand and financial aspects focusing on resource mobilisation, allocation and costing on the other.

5.2.1 Strategic Performance Management Structure

5.2.1.1 Management Control Systems and Information Management

KYU is in the preliminary stages of establishing a computerised information management system. The new home-grown system to be piloted in the big faculties and the office of the Academic Registrar is expected to facilitate student and staff information gathering, storage and retrieval. In the current format, the University information system is not only manual and fragmented but it is also scattered across the different units within the University. The data inconsistency and utility was further summed up by one of the Deans when he noted that;

We have never had proper, reliable databases either at department level, faculty level or at University level (University Dean).

The situation similar to that at all the universities in the study is compounded by lack of respect for registration deadlines resulting into a continuous stream of students pursuing registration throughout the semester. Figure 5.10 presents as overview of the perception of MIS in KYU. It highlights inadequate articulation which ranges from undefined utility, to configuration and implementation status. The Figure, further elaborates fragmented MIS and work overload as a result of the parallel systems maintained in the different segments of the University. This is also an indicator on the communication patterns of the University as elucidated by one dean when asked to elaborate on the communication channels with respect to FM

Apart from letters and circulars we do not have any communication in place that you can follow. If the Finance Department wants information, I'm just requested to provide the information (University Dean).

Figure 5.10: Information systems in KYU: Inadequate Articulation

[12:1][2] -----	[12:3][2] -----	[14:2][2] -----	[14:3][2] -----	[11:1][2] -----
Students are registered at the faculty level. We have faculty registrars, we also have finance-accountants and when the centre wants info we give it in both hard and soft copy	We feed whichever department that requires the data, if its Academic Registrar we provide info if it is Bursar we provide.	In the course of the semester, you never get to know the number of students. They continue to pay. Those that are doing exam next week are paying now. So the statistics of those who are admitted, continuing or and such data is flawed. We have never had proper, reliable databases either at department level, faculty level or at university level. We have had a problem there maybe we need to improve.	we do not have any MIS the university is trying to adopt the e-campus some students in the electrical department took it up as a project, to have a network that will have this data properly sorted out, so that we have data linked between the students and other issues. They are coming up with a project which they will fund probably we will then have what you are asking	They are not linked that is the worst scenario we have. And the truth is at any one point in time T we cannot tell you the number of students we have in the university. If somebody challenged us not even the AR would be able to give you the correct number of students.
[14:1][2] ----- We have, but not proper databases, for a long time the problem we have is records. You know that public universities students pay throughout the semester you never get to know the number of students you have. Probably when it gets to examination time then you will roughly know how many students you have. That one has been a problem and it is still a problem both at the faculty and at the central level.	[12:2][2] ----- Information is required at different times in different formats. For example, after admission of students we submit, before graduation we submit. But what brings complication especially in student data is those students that withdraw/drop out and come back after some time. Others have retakes. If students come at the beginning of the academic programme and end after the stipulated time then we would have a clean database. You end up with unstable statistics.			[15:1][2] ----- You can only talk about databases if you have systems we do not have these we have just started.

Question: Do you have centrally linked databases? What are they used for? Are they used for report generation? How do they support the financial management process?

In terms of revenue generation, resource inflows and access to information for paid up students, the University has adopted a decentralised payment management system. The system enables academic units to have reliable and accurate information on the level of resources generated based on bank account balances for a specific faculty or unit. Despite this option the University is still unable to provide adequate information on student enrolment due to the absence of a linkage between the financial and the registration details of students. Final reconciliation to align the student numbers to the financial resources is done ex post mainly after the opportunity to influence decision-making has already been missed. Nonetheless, to facilitate internal accountability and feedback from the units to the centre, a practice of weekly

financial management meetings has been adopted. The context was summarised by an executive when asked about financial information communication channels.

We have the finance management committee where all the deans and top management sit, every week to determine how much money has been collected and what are we going to spend it on and in what area, and can we afford it? We do this every week. The finance management committee weakness is it is too frequent. We may have to reduce the frequency to monthly. But because of the poor financial management we had here we had to introduce it on a weekly basis. (University Executive)

Apart from the frequency and the opportunity cost of time spent in this meeting there is a temptation to convert this exclusively financial management initiative into a general management forum; thus undermining the other management structures and frameworks within the University. Furthermore, it has been criticised not only as an attempt by the executive to manipulate the decision-making process under the guise of collective responsibility but also as the framework that promotes centralised but fragmented financial management. In addition, the meeting is blamed for the unique position of a cash surplus at the end of the financial year in the various unit accounts, but with significant levels of payables and a negative financial net worth (Kyambogo University, 2008, 2009, 2010).

5.2.1.2 Strategy, Mission and Performance Targets

The University mission as outlined in the Strategic Plan is geared towards development of skills in science, technology and education. Yet although the University Strategic Plan articulates the goals and objectives, there is a weak monitoring and evaluation framework. The laid out performance indicators are generic and do not provide adequate structures for implementation (Kyambogo University, 2007b). The situation is further compounded by continued management turnover, yet there is inadequate induction within the institution. For KYU, ownership by the executive as main actors features as a key impediment to plan implementation. For instance one study participant said that,

When we came in 3 years ago we found an old Strategic Plan which was not being followed and we are also finding it difficult to follow- like all developing countries the strategic plan is there, a nice paper with no budget, timelines and activities to follow (University Executive).

It emerges that the Strategic Plan is unrealistic and does not adequately articulate targets and expected outcomes. What manifests is that the primary focus of the strategic plan and rationale for formulation is legitimisation since it is a requirement for all universities whether public or private to have a strategic plan.

Apart from ownership, strategy was affected by the limited preparation and situational analysis. The assumption was that the new University that was created out of existing tertiary institutions would automatically adopt a University culture. Yet no adequate systems were put in place to ensure that this happens. For example due to inadequate provision, the university has maintained the pre-University staffing structure. Professors are only listed as executives whereas there is no listing of the rank of professor in the teaching category, the other citations being of 3 associate professors and 42 staff at the senior lecturer level out of the 369 full-time staff (Kyambogo University, 2011c).

In terms of finances the University Strategic Plan highlights diversification of the financial resource base, achieving a breakeven point and value for money through budget discipline and modernisation of the budgeting process, in addition to establishing an effective audit system (Kyambogo University, 2007b). That notwithstanding, the University still operates a highly bureaucratic management system. With a manual fragmented information system, the University at 99% largely depends on only two sources of revenue, government subvention on the one hand and tuition and other fees revenue from fee paying students on the other.

Figure 5.11 demonstrates that the challenges associated with Strategic Plan implementation and capacity to direct the operations of the University manifest in selective utilisation and ownership as well as limitations of the resource envelop; a situation similar to that at Mak.

Figure 5.11: Strategic Planning in KYU, Who is accountable?

No Accountability			Selective accountability	
[15:8][31] ----- I think it seems we are not very accountable for the performance of the strategic plan. This was pointed out by the auditor general, that the way we were doing things was not related to the strategic plan at all. And the SP has no role in the financial management of the university. They looked at our strategic plan, our budget and the relationship was almost nonexistent.	[10:4][44] ----- That would have been true, but I have to remind you that we are young university- When we came in 3years ago we found an old strategic plan which was not being followed and we are also finding it difficult to follow- like all developing countries the strategic plan is there a nice paper with no budget, timelines and activities to follow	[13:4][34] ----- Not the strategic plan does not contribute to resource generation [10:5][44] ----- Because we have very low budgetary provisions we draw strategic plans that are sometimes unrealistic. Of course we want to say that we are a university, we must have a Strategic Plan but when you look at what you have budget wise!	[13:3][31] ----- The problem we have here is that we are not given good mandate to execute our duty. Much as we know that we are the right people to execute and monitor the implementation of the strategic plan we are not given the mandate. Everything is communicated from above, in fact it is dictated and that kills morale. We have the Strategic Plan it is just a document. The problem for me to be listened to I'm not listened to. I just let the systems go. That has been very frustrating in the department. They do not take our views, the result is that you go away- staff attrition is high. Even when I feel I'm capable I feel that there is no value for my knowledge.	[12:7][31] ----- it depends on which item in the strategic plan. If it is teaching and research then I'm accountable. For research it is more of an individual initiative [11:3][29] ----- No but since we have a budget and we assume that the budget priorities were drawn from the strategic plan we assume that it is taken care of.
[10:3][36] ----- No we have not used it for resource mobilization because we have not yet put our house in order you can only fundraise by saying I have been able to do this	[15:3][21] ----- I have not mastered the strategic plan which is coming to an end but I suppose it should highlight how the institution is performing and the objectives.	[15:2][19] ----- Although our strategic plan is not related to the budget the resource allocation is related to the short term objective of the institution, first of all the resource envelope is so small		

Question: What role does the strategic plan have in the financial management of the university? How are you accountable for the performance of the strategic plan/institution?

A further review of the Strategic Plan reveals that several of the performance indicators outlined in the plan are at the institutional level and are given as a block for the five years of plan implementation. The inadequacy of resources; the fragmented systems operated by the University and the lack of annual activity phasing by the strategic plan makes integration between the plan and the budget almost non-existent. It also makes performance monitoring and evaluation untenable. Furthermore, several informants report that they do not have the requisite structures for performance monitoring: specific reference was made to the quality

assurance unit and a monitoring & evaluation unit. Absence of these structures was cited by a University executive as the lack of 'unitary communication of the performance indicators'. All these combined, present a fragile performance management and reporting framework. Section three below outlines how PMM is perceived within KYU

5.2.1.3 Performance Measurement and Management

The University is in the process of establishing a staff performance management system. This being a new paradigm within the University the staffs within the institution have a varied perception of how it has come on board and how it should be implemented. While the administrative staffs not drawn from academia perceive it as a move to improve efficiency within the University, Deans see it as a top down approach designed to frustrate the operations at faculty level. Furthermore, a section of management perceives it as an exogenously induced infiltration of industry practices into the University and an erosion of the values that a University stands for. As noted by one official when asked to elaborate on how performance is evaluates.

You cannot assess the performance of a professor whose time is spent thinking, you cannot assess performance of thinking- to me management administration systems are beginning to infiltrate the University too much and I think it is not correct. Personally I would not like performance contracts subjected to academic staff, because their schedules of operation are well defined...so there is already a mechanism. I have seen this thing adopted in America and Europe where people have started arguing that a vice chancellor should be a manager, but it has failed because you cannot manage universities like factories, (University Official).

At the unit level, the University has adopted specific although undocumented performance indicators. These include among others, the meeting of teaching, examination and graduation deadlines. Yet even at this level there is an acknowledgement that the absence of performance management structures such as the Quality Assurance Directorate affects a unitary uptake of the performance indicators. Performance evaluation then becomes the preserve of the unit head, who since University operates under the collegial mode, is handicapped in terms of effecting disciplinary and/or reward mechanism for performance. Furthermore, it limits the scope of performance evaluation to teaching and eliminates a more comprehensive systems audit that would consider all aspects of the University including functions that are not directly associated with the core functions of the university.

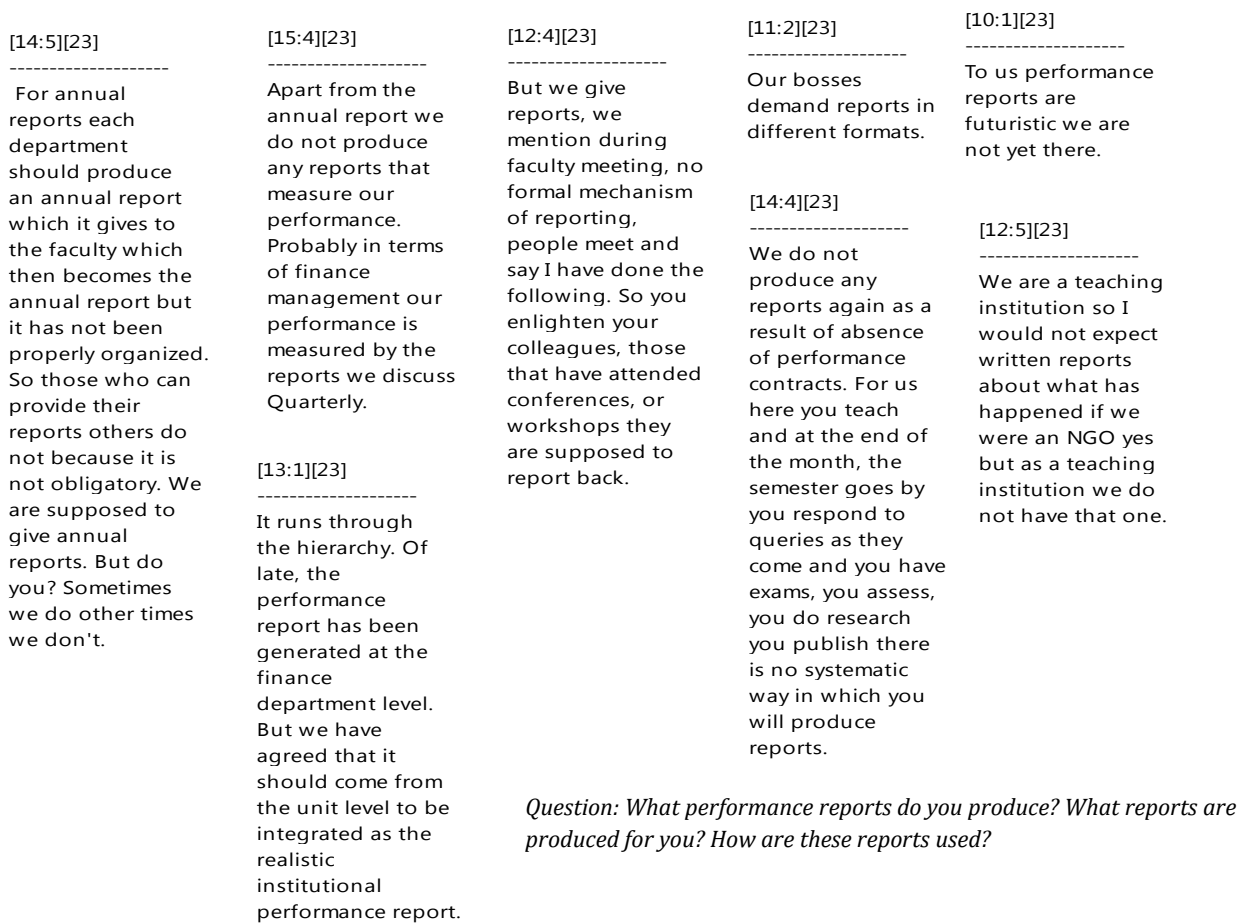
From a process point of view, annual expenditure targets are determined at the beginning of the budgeting cycle. They are also largely input based depending for example, on the number of students admitted and enrolled, and the procurements to be made to facilitate programme delivery. Limited attention is thus paid to output indicators in the form of expected graduates,

or student transition from one year of study to another, or the assessment of student learning outcomes. At the same time, since the University neither has a student evaluation mechanism nor undertakes internal and external efficiency studies these performance measures remain largely financial for the internal evaluation and anecdotal for external efficiency. As illustrated in the citation in response to how performance is evaluated,

When students go out for internship you can always get a feel of how your students perform vis-à-vis. other institutions. That is how we evaluate (University Executive).

Internal performance evaluation is more relevant to the tangible outputs such as physical infrastructure and capital development projects, which have been captured by the University annual reports (Kyambogo University, 2011c). And as acknowledged informants, performance based reporting becomes futuristic pending establishment of the requisite administrative structures, Figure 5.12.

Figure 5.12: Futuristic Performance Reporting in KYU



Similar to Mak, Kyambogo University operates three parallel resource allocation/reporting systems. The predominantly financial modified cash accounting system, and reporting required by the Accountant General; the target and performance related output budgeting tool required by the macro and budget sectors of the MOFPED; and the general purpose reporting to the Ministry of Education and Sports. All these are government bodies that have not been able to harmonise financial and performance information requirements from the public universities although all of them have implied financial sanctions for non-compliance. Neither have the universities established harmonised reporting framework that would meet all the requirements in one document. Nonetheless, the annual performance reporting to Council as the governing body is fairly comprehensive and provides a clear overview of the physical targets at the intermediate level (Kyambogo University, 2008).

5.2.1.4 Performance Rewards and Feedback

PMM is intricately linked to rewards, sanctions and feedback. In the case of KYU performance rewards and feedback can be perceived from both the individual and the unit perspectives. At individual academic staff level, similar to Mak, the performance reward system is promotion based on the traditional approach of recognition of one's research and publication (Kyambogo University, 2007a). Adoption of this criterion by a predominantly teaching University is a mismatch that in addition to the academic staff limitations inherited from the pre-University institutions could partly explain the dearth of staff in the higher academic echelons. The University has not adopted the concept of performance contracts; neither does it operate a structured system that links individual performance to the performance of the strategic plan. This limitation combined with the inadequate provisioning in terms of resources and facilities demotivates staff and limits performance at the individual level. Yet it has also been argued that the age of the University is a limitation in terms of developing effective reward systems. These assessments are mapped out in Figure 5.13).

Figure 5.13: Performance Rewards in KYU: Maintaining the Status Quo

<p>[10:2][28] ----- First of all you have to realize that Kyambogo is a young university of 9 years, it has its own non university attributes, we still have the tertiary institution mentality. People do not see research as a priority</p> <p>[12:6][28] ----- Salaries, we earn, beyond that I don't think we have anything, as a young university, when one gets a doctorate we celebrate it. Or if one publishes some article or book it is mentioned at graduation. We get those in the VCs report at graduation.</p>	<p>[14:6][28] ----- Here? There is no reward system in place. It does not exist. Because this has monetary rewards, promotion and the like we have been grappling with the setting up of the university. As a new university it is difficult to think about such systems, there are many challenges we cannot start thinking about the reward thing.</p>	<p>[15:6][28] ----- We have not developed any system for rewarding performance of either our employees or the recipients of our service, the only reward is salary no other rewards probably a thank you here and there. For students we do not have reward for academic excellence, not even in terms of retention for staff development.</p>	<p>[13:2][28] ----- We have not been doing performance evaluation so it was difficult to know who or which unit has performed better than the other. sanctions what is there is promotion denial, what criteria is used has not been clearly articulated.</p> <p>[15:7][28] ----- But as time goes on we would like to have performance rewarded. When they put in an extra hr we give them more pay- this is to lift their spirits. In order to motivate staff we are paying top up across the board.</p>
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Question: How is performance rewarded? Do you have performance incentives/sanctions?

From another viewpoint, reward for staff performance can be seen from the perspective of effective delegation and ability to influence decision-making. This is exemplified by, in one instance, the explanation by a University official, when asked to elaborate on the performance reward practices in the University that,

The problem we have here is that we are not given good mandate to execute our duty. Much as we know that we are the right people to execute and monitor the implementation of the strategic plan we are not given the mandate. Everything is communicated from above, in fact it is dictated and that kills morale. We have the Strategic Plan it is a document, the problem is I'm not listened to, I just let the systems go. That has been very frustrating in the department, they do not take our views, and the result is that you go away, staff attrition is high. Even when I feel I'm capable I feel that there is no value for my knowledge. (University Official)

Apart from the individual performance rewards, for the income generating performance reward is largely based on the financial perspective, embodied in the percentage share of resources generated from fee paying students. Performance therefore can be seen as the capacity to develop programmes that attract fee paying students, in this regard the level of resources retained is directly proportional to what has been raised.

5.2.2 Financial Performance Management

5.2.2.1 Resource Allocation and Management

KYU operates a hybrid centralised/decentralised resource allocation mechanism. The intensity of decentralisation depends on the source of revenue. Whereas centralised allocation is applied to the government subvention and the percentage share remitted to the centre from internally generated revenue, decentralisation is applied to resources remaining at the unit level after centre transfers have been deducted.

Considered differently, the University operates a performance based resource allocation system that also has an incremental element. Performance is characterised at two fronts: i) capacity to absorb all resources allocated in a specific financial year; and ii) amount of revenue generated from the fee paying students. The challenge, with this type of performance however, is that it does not explicitly make reference to stated goals or targets. The revenue sharing formula adopted (see Table 5.4) indicates that resources available for allocation to the unit will depend on the tuition fees, the offering mode of the programmes; and the general enrolment levels within the unit. Units with more day students will have limited access to flexible resources through the internally generated revenue, while units with low fees will have fewer resources irrespective of the number of students enrolled.

Table 5.4: KYU Percentage share of internally generated revenue

Activity/ Line Item	Percentage Distribution
1 Tuition Day Programmes	
Central Administration	100%
2 Tuition Evening	
Central Administration	25%
Library	1.5%
Research Grants	1.5%
Staff Development	2.5%
Faculty/Academic Unit	70%
3 Functional fees*	
Function/ Office	100%

Source: University Finance Department-

* Functional fees include application, registration, maintenance, students Guild, ICT, library and others

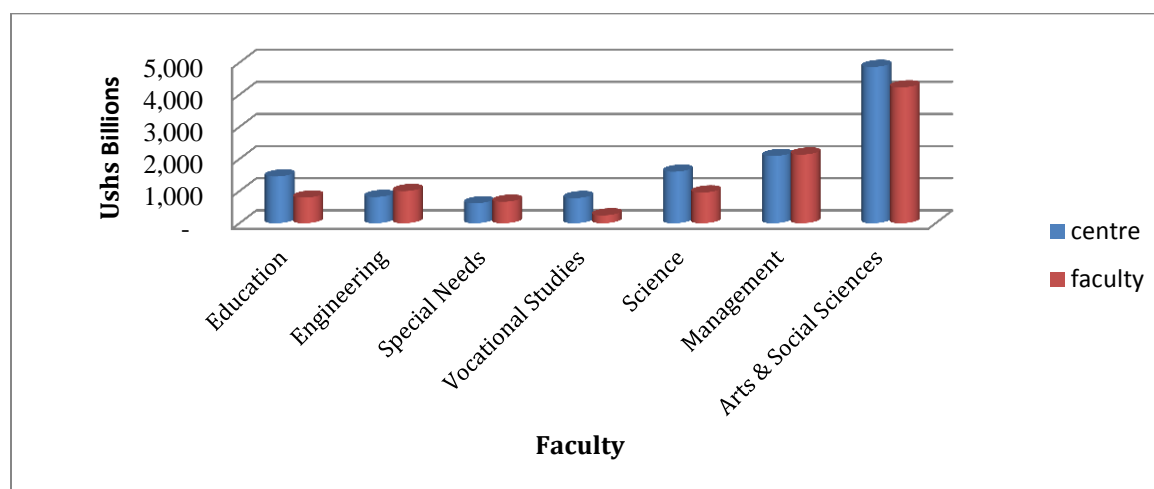
From a unit based view it is evident that the system favours units such as Faculty of Management and the Faculty of Arts and Social Sciences which are able to develop evening programmes and set fees at a higher rate than their counterparts in the traditional units of Education and Science (see Figure 5.14). As a mechanism for determining resource allocation at unit level, the percentage share of resources has three fundamental disadvantages: i)

tension and discontent within the institution because of the inequality in resource use across the various units; ii) the resources not being available for reallocation to other areas of need. It is common to have unspent balances at the end of the financial year in some units, while the centre and other units grapple with unpaid bills, and unmet needs as well as generate arrears; and iii) stagnation of institutional growth and advancement, with a typical generation of inadequate and fragmented 'savings', which if pooled would be able to facilitate bigger projects. There was also evidence of the stifling of expenditures at unit level in the guise of 'saving' for capital development. This provides an insight into the shortcomings of decentralisation within the constrained resource envelope. Responding to the question of what is considered in the allocation of resources, the head of one academic unit, the accounting officer by this very identity, explained

At faculty level our emphasis is on maintaining the quality of teaching and actual teaching, so we spend a lot of money on part-timers because our staffing levels are low. We have to ensure that teaching takes place, the results are there. When it comes to other matters, like furnishing we have tried the best we can to include an item on furniture, we have improved, but we are still at a very low level. We have tried to keep part of the money for capital development. We have agreed that this is internal; we have combined with another faculty to put aside some money to develop that building. (University Dean)

His response illustrates that academic units have the autonomy to prioritise with respect to resource allocation. The decentralised nature of resource allocation does not reflect the mission of the University for *Skills' Development* since resources are skewed towards the non-skills based faculties such as Arts & Social Sciences (see Figure 5.14). Figure 5.14 highlights the application of the percentage formula and how it translates into resources. When compounded, out of the total University collection of US\$ 23.6 billion for the FY 2010/11 the centre received 12.6 billion (53%). Faculty of Arts and Social Sciences as the largest internal revenue generating unit received US\$ 4.8 billion (38%) of the total resource remaining at faculty level. Yet because of the inadequate costing mechanism and the inability to translate the government resource into unit cost per student means that information about the real contribution or allocation for each unit is still elusive.

Figure 5.14: KYU Resource Distribution of Internally Generated Revenue by Faculty FY 2010/11



Source: KYU finance Department

5.2.2.2 Resource Mobilisation, Revenue Generation and the Diversified Resource Base

In terms of revenue, the University has two major sources of revenue, the government subvention and the internally generated revenue from tuition and other fees, constituting an average of 44% and 53% respectively over a five year period (see Table 5.5). The table not only highlights a declining trend in the percentage contribution from the government subvention from 51% in 2004/05 to 38% by 2009/10, but also brings to light the concept of the *publicness* of the public institutions especially since the funding correspondingly reflects a larger percentage share of enrolment for fee paying students.

Table 5.5: Sources of Revenue for KYU 2005/06-2009/10 (percent)

Source of Revenue/ Year	04/05	05/06	06/07	07/08	08/09	09/10	Avg
Tuition and other fees	48%	45%	49%	55%	59%	61%	53%
Government subvention	51%	48%	47%	43%	39%	38%	44%
Transfer from international bodies	1%	8%	4%	2%	3%	1%	3%
Total	100%	100%	100%	100%	100%	100%	100%

Source: University financial statements 2005/06- 2009/10

KYU similar to IUIU has adopted the faculty/unit based fees collection practice. This facilitates full attribution of internally generated revenue to a specific unit. Faculties/academic units operate as collection centres for all internally generated revenue in the University except for accommodation. Agreed percentage of the resources is then transferred to the centre and

other activity specific units within the University. The practice eliminates tension between the centre and the faculties in cases where the number of students paying is less than the number of admitted or registered students in a particular faculty, a common occurrence within HEIs in Uganda.

There have been limited advances in fundraising and capacity to generate revenue outside the traditional government subvention and tuition. The Strategic Plan has not been used as a resource mobilisation tool; neither does the University have a designated office to handle fundraising and institutional advancement. This lack is in spite of the fundraising function having been adopted and formalised by universities worldwide and in spite of the perceptions of the role of the Vice Chancellor as one of the chief resource mobilisers. As one informant noted,

We thought the VC would be able to mobilise resources; this was one of the dispensations for appointment as VC. He was expected not to sit in that office but to globe trot and look for money. He is not doing that currently, he is preoccupied with management issues, which should not be the case. Management was only part of it but the bigger picture was to look for money for the University. (University Official)

There are however, similar to Mak cases of small research grants treated as individual projects not reflected in the overall financial statements of the University. Similarly there have been pockets of revenue generation from the public café, the medical centre and the farm, all of which largely operate in a University service mode. Although their contribution to the University budget is almost non-existent, they demonstrate the potential to revenue diversification that could exist in the institution if the professional business mode were applied.

5.2.2.3 Product Costs and Cross-subsidisation

In terms of costing, the University is yet to establish a comprehensive costing framework for the programmes offered. The only visible attempt towards this direction was the broader national study that focused on all public universities (AH Consulting, 2010). Yet the provisions and recommendations of the study have never been disseminated or taken up by the various universities.

On average, employee costs constitute close to 60% of the total University budget. There are two facets with respect to costs associated with staff in the University. First, the staff structure of the University is such that 40% of the staffs are employed on full-time, permanent and

pensionable basis. Because part-time staffs receive fewer benefits than their full-time counterparts it can be argued that the existing status has a suppressed staff cost structure. Yet even with this full-time/ part-time staff mix the University is yet to reach the NCHE recommended ideal average staff student ratio (AH Consulting, 2010; Kyambogo University, 2011a). Secondly, whereas there is a harmonised pay for permanent staff, payment rates and ultimately cost implications for part-time staff, the majority of whom are contracted and paid at the faculty level, vary depending on the amount of resources generated by the respective unit. For example, the hourly teaching rate in the Faculty of Science is less than the rate in Faculty of Management or Faculty of Arts & Social Sciences. This was exemplified by one official when commenting about prioritisation in resource allocation that

It is painful, management has failed on the part of the sciences to recognise that the trend is to support science so the science lecturer gets less than the arts because they generate less, yet they also do not have the students to enrol, (University Official).

Just like staff remuneration, the costs in the service centres such as the Library, Computing and Information Technology and Estates & Works are contingent upon the resources available from tuition and other fees. There is therefore no established structure for costing, the indeterminate nature of in cost basis can be summarised by the University Bursar when he noted that.

We have made allocations based on the number of machines in the science units, but that was sometime back. So it keeps on changing on an annual basis there is no clear cut rationale for allocating resources (University Official).

Table 5.6 presents an overview of the financial status of the University since its establishment in 2003. The table highlights the differences between unit expenditure and average fees paid by University students on the private sponsorship scheme. It also underscores the concept of government subsidy to the private education in public universities. Yet there is an erroneous institutional perspective that the private students subsidise the public students, a contention that arises not only because of the intangible nature of components covered by public resources such as salaries, utilities and government supported students' food, but also because the private resource provides flexibility in expenditure at both the unit and the institutional levels. These realities result in the concept of cross-subsidy. This perception as emphasised by the University executive highlights the limited relationship between the fees charged and the costs associated with the programme offered. Explaining the controversial situation in his response to the question of how costing is related to fees, one university executive pointed out that,

Being a public institution we cannot have cost recovery, it can only be to cover some structures but not cover costs. We have not sorted out the issue about what government covers and what we cover through internally generated revenue which unfortunately is now 76% of the total budget Government is giving 24% yet it would have been the reverse (University Executive).

Table 5.6: KYU Financial Resources Structure 2002/03-2009/10 (US\$ millions)

Year	02/03	03/04	04/05	05/06	06/07	07/08	08/09	09/10
Income	10,533	17,757	21,355	27,507	32,715	37,395	43,587	48,748
Operating Expenditure	9,744	15,749	19,148	27,879	34,431	36,221	40,804	46,199
Surplus/deficit*	789	2,008	2,207	-372	-1,716	1,175	2,784	2,549
Closing financial net worth**					1,262	-	-9,523	-4,989
enrolment	4901	7195	7618	10566	13923	14042	14161	18746
Avg. student unit expenditure	1.99	2.19	2.51	2.64	2.47	3.53	2.88	2.46
Average fees per student				1.14	1.15	1.167	1.367	1.367

Source, University Financial Statements*Excludes documented arrears for the different years

** After adjustment for cash equivalents and payables

From Table 5.6 it can be observed that the average fees constitute less than 50% of the average unit expenditure in the University except in 2009/10 when the tuition fees were raised by 40% across all public universities as a directive from Government. For KYU however, average fees are suppressed by the Diploma and Certificate programmes which constitute 58% of the total number of undergraduate programmes. These although stipulated in the Act establishing the University, could be seen as a carryover from the pre University status institutions. Average fees for the certificate and diploma programmes are US\$ 0.677 million and 0.861 million respectively compared to the average fees of US\$ 1.674 million annually for the degree programmes. Yet the resource requirements in terms of teaching are not significantly different.

From the discipline point of view, efficiency in resource use also manifests as cross-subsidisation. Programmes that have fewer numbers and higher input requirements such as science, engineering and technology receive a bigger share of resources from the centralised budget. Although KYU is yet to establish the breakeven point for running a programme, there is a general recognition that the science based programmes consume more resources while catering for fewer students. This was illustrated by the response by informants when asked about the focus of the University.

There are programmes that are important but do not generate adequate demand, so they are supplemented from other sources (University Executive).

The focus of this University whose mission is concentrated on the development of skills; it is skills based. And the resource allocation is supposed to be skills based, but as it were, it is not 100% towards skills, the other problem is if you want to concentrate on engineering which is very expensive if you do not have machinery, then we find ourselves mounting other programs to cross subsidise the expensive programs such as engineering. (University Official)

These programmes have therefore been the target of both government and central resource allocation; Total non-tax revenue for these programmes amounts to 16% compared to the enrolment percentage share 19% (Kyambogo University, 2011b).

5.2.3 Financial Management Structure

5.2.3.1 Financial Guidelines and Authority to Spend

Despite the seemingly decentralised revenue collection and resource allocation structure, there is a general contention of limited expenditure autonomy in the University. Until November 2011 when the University started experimenting with some autonomy to units all transactions and expenditures within the University had to go via the office of the Vice Chancellor. It therefore emerges that although the UOTIA does not provide for adequate authority for the Vice Chancellor as CEO to handle financial matters, the system adopted by the University ensures that the Vice Chancellor has a firm grasp of the financial affairs of the University. The Finance Department then acts as the intermediary and the link between the units and the executive. As custodian of financial information, the department also provides the linkage between past performance, available resource and cash inflows.

These procedures though not documented, provide a standardised financial management process, and although they have not been explicitly declared as financial guidelines, the budget notes provide appropriate guidance in the management of financial resources. Nevertheless, it is also evident that application of these procedures is mainly a preserve of accounting and audit staff. Figure 5.15 illustrates the varied perception of financial management guidelines within the University.

Figure 5.15: KYU Financial Management Guidelines and Application

[13:5][62]	[15:10][61]	[15:11][61]	[11:7][62]	[12:8][62]
----- It is not written down but we have some guidelines that are operational. It has not been communicated to the unit but those who operate Finance and audit know the procedures. Recently I have heard that an audit manual has been developed which has some financial guidelines as well.	----- We are just trying to develop these, when we came in in last October, we had put in a consultant to develop the manual we thought that the quoted price was not realistic	----- We have some payment procedure that was developed by the internal audit to help in the short run, so that when we check the efficacy of the payment we follow that. This is a skeleton of the guidelines in the meantime.	----- Yes but they have not been approved by Council. We are using them illegally, but they guide and have good practice, they have been in the pipeline for two years. Before that we were just following the public finance act.	----- We do but do not ask me the details. This where I tend to be dependent, and I say let the Bursar guide us. So whatever they say we take. [14:7][62] ----- They exist at the university level but at faculty level we do not. The bursar follows them at the university level.
Question: Do you have financial management guidelines?				

The implication here is that although the middle managers perceive financial management as part of their administrative portfolio, this is limited to expenditure approval since they have not had sufficient exposure to financial management information guidelines. It also brings out the need for support staff in the financial management trajectory as much as the varied response underscores the limited emphasis that the University puts on these guidelines. In the same vein, the audit function which is operating under a pre-audit mode is a relatively new phenomenon that has mainly focused on the financial aspects and limited emphasis has been placed on value for money.

5.2.3.2 Accounting Method

Similar to Mak, Kyambogo University operates under the modified cash accounting basis as the recommended mode of operation for public enterprises. However, it is the perception of managers and how the modified cash accounting mode affects the operation of the University that is the focus of this section. It is acknowledged by the University executive that as a public enterprise with intermittent resources inflows particularly from the fee paying students, the University cannot aggregate revenue to facilitate the accrual accounting mode. Similarly, the resource inflows from government are received on a quarterly basis, and access to these is largely based on financial performance for the preceding quarter. The University therefore has to demonstrate absorption capacity of the resources provided through cash and cash equivalent transactions. These short time frames coupled with the uncertain resource inflows from the private programmes underline the cash mode of operation. The challenges

associated with the accounting method and how both the Accounting Officer and the Finance Manager perceive it is captured in Figure 5.16.

Figure 5.16: KYU Accounting System: Public- Private Tensions

[11:6][57] ----- Expenditure is accrued whereas revenue is not. You are comparing goats and cows, it does not work. Students always pay at the end of the semester, we have excel sheets we use to maintain the accounts so at the end of the semester we reconcile the figures and we use the AR to write to the student general circulars but not individual demand notes.	[11:4][57] ----- We use modified cash accounting which is recommended by government, but personally I'm not in favor of it. Because it is not representative enough of what we do on the ground, I would go for accrual.	[11:5][57] ----- But of course we cannot manage accrual in public universities because we are manual. It will be very difficult to run an accrual based system with the manual system. When we computerize we will be able to run accrual based financial management system. If we get organized it can work because I have worked in private organizations and I have seen how it operates	[15:9][57] ----- We are not a business entity so as to use an accrual system, so we use cash, as it comes we spend. Because we were unable to pay, there are accrued debts but not accrual in the accounting sense. <i>Question: what accounting system do you use?</i>
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On the other hand, the operational capacity to meet all the cash obligations is limited. Therefore the University does not break even and often accrues debts at the end of the financial year (see Figure 5.16). This mechanism that generates arrears has turned out to be acceptable to government despite the espoused commitment control system that discourages the practice. Evidence of this is seen from the arrears cleared by government provided: i) the institution gives solid justification for accumulating the arrears; and ii) the arrears are subject to verification by the Auditor General. Although informants have acknowledged that the government did not establish the appropriate financial structures when the University was converted from three disparate units, the notion of picking arrears from the public institution undermines the incentive for breaking even. In summation, the University accrues expenditure whereas the revenue is not; a situation further compounded by the inability to list students as debtors in any given financial year (Kyambogo University, 2009). Acknowledging that the University is not a business enterprise to adopt accrual accounting by some officials shows that there is still some mileage to be covered before rational approaches can be fully adopted in the academe and this is irrespective of their supremacy.

Similarly, the true net worth of the institutions is not reflected in the books of accounts since assets are 100% depreciated in the year of purchase. At the same time, no valuations of physical assets such as equipment, land and buildings has been undertaken. Because these assets are taken as given; the costs associated with their maintenance and upkeep have been underestimated, the asset register is not regularly updated and the institution has no mechanism for periodic assessment of the state of its physical plant. Yet additional documentation for capital development from the University as a government project for all public universities has highlighted the state of physical infrastructure disrepair for the institution (Government of Uganda, 2011). While this could be explained partly by the format of resource inflows, it underlines both financial fragmentation and the short comings of the accounting system adopted by public enterprises.

5.2.4 Conclusion

With a history that spans only nine years, the FM regime in Kyambogo University is still in the budding stage, there are several areas which are clearly seen as embryonic. Key among these areas is the management structures that would have ensured an integrated FMS but are yet to be fully functional. Such structures include the quality assurance, audit and planning units. Nonetheless, the University has been able to establish a budget implementation and monitoring system that highlights internal accountability and transparency. The system spawns a hybrid between centralised and decentralised resource allocation and management that is largely dependent on the source of revenue.

The indeterminate character of resource allocation and management system whether decentralised or centralised, the line item budget format plays a significant role. Performance based allocation on the other hand, is applied to the decentralised component of resource allocation and management. The University with its operation of what has been described as a 'tedious' manual information management system has a financial management structure that is still fragmented, overloaded and demonstrates limited linkage between its financial and non-financial functions. This coupled with the inadequate preparation for the transition to University status is fertile ground not only for loop holes in the FMS but also for generating arrears. It is however a closer look at the challenges as outlined by the informants in Figure 5.17 that provides great insight into the FMS of the University. These illuminate resource and process based challenges.

Figure 5.17 Financial Management Challenges in KYU

Resource based challenges

Processes based challenges

[14:8][67]

We thought the VC would be able to mobilize resources, this was one other major role was expected not to sit in that office but to globe trot and look for money. He is not doing that currently, he is preoccupied with management issues which should not be the case. Management was only part of it but the bigger picture was to look for money for the university. Money from government is very small and reducing every year. So he is doing what he can but he has not done enough.

[11:8][67]

Government funding that is limited. If you were to move and see the facilities we have. If you have taken your child from a first world primary and secondary school, the guy will not understand you. Because the facilities in KYU are worse than a secondary school, yet it is a government institution which will probably be recommended to students.

[14:9][67]

We cannot increase fees, more universities have come up. We are also competing for the same number of students we cannot say that we are the only university so there is a big challenge. The little which is there is reduced. We cannot equip laboratories, workshops and recruit because we do not have enough money

[15:13][67]

We have had deadlines, that do not work. You only realize AIA when you come to the end of the semester, when you cannot use these deadlines. Meanwhile you are accumulating the debt with the service providers.

[10:2][28]

First of all you have to realize that Kyambogo is a young university of 9 years, it has its own non university attributes, we still have the tertiary institution mentality. People do not see research as a priority

[12:9][67]

As a university KYU we use the original budgets of ITEK-UPK and UNISE and that is very small. The kick start was wrongly financed by government so we have to obey what is coming in. The merger did not come with any increased budget.

[15:12][67]

For us the biggest challenge is our manual system, there is so much paper work just imagine a system that services 66,000 students and 1200 staff, with all the transactions of the institutions carrying them out manually is next to hell.

[10:6][67]

Some people think that we must decentralize financial management so that departments begin to manage their resources. The Deans should be made accountable, the bursar then remains with a coordinating role.

[14:10][67]

we have got a full time- part time staff ratio of 1:4 so management of finance becomes a problem. There is no system in place which says this is what we have now and we can spend it here. So you spend as it comes.

Question: What would you characterize as challenges to the financial management system of the university?

5.3 Islamic University in Uganda: Case Description

Founded in 1988, with 80 students and two faculties, the Islamic University in Uganda (IUIU) was the first University in the country to operate under private arrangement. Unlike other private universities, IUIU was founded by the Organisation of the Islamic Conference (OIC) under a bilateral arrangement between the OIC and the Government of Uganda;¹⁷ it was therefore authenticated by the '1990 Islamic University in Uganda Statute'; an Act of Parliament. Ownership of IUIU is thus vested in the OIC of which Uganda is a member so intrinsically making it a public University with external influence. However, where public universities receive a government subvention and admit students on government scholarship, all students in IUIU pay fees and there is no direct government subvention for recurrent expenses. Government nonetheless, has made sporadic grants to the institution which have included tax exemptions and guaranteeing of loans for capital development (Islamic University in Uganda, 2011c). The University characterises itself as a semi-public University; which description is further emphasised by the composition of its Council, the governing body wherein five government ministries are represented. However, whereas the Ministries responsible for Education and Finance stand out as key Ministries in public universities, for IUIU the Ministry of Foreign Affairs has a bigger role.

By establishment the University was categorised as a regional centre for Islamic studies, it thus admits students from the eastern and southern African area. Irrespective of country of origin, all students pay the same fees; and this is deemed as the main source of reliable income for the University. This brings out a further categorisation for the University as a non-profit private institution with a religious background. Indeed the mission of the University alludes to 'enhancing the civilisation and scientific influence of Islam in the region and an affirmative action for Muslims' (Islamic University in Uganda, 2005)

Since inception the University has predominantly focused on undergraduate training. By 2011 IUIU had six faculties and an enrolment of 6643 students; 10% of whom are international students from 20 different countries. The University operates four campuses with a diverse geographical coverage. It had also started to venture into research activities starting with a limited number of postgraduate students, and minimal allocation for staff research within the institutional budget. Worth noting is that on average, 63% of the staff are part time. The part-

¹⁷ Uganda is a member of the Organisation of Islamic Conference

time character of staff ranges from 29% at the main campus to 95% at the Kampala Campus and 100% at the Arua Campus (Islamic University in Uganda, 2011b).

The University stands out from other universities with the establishment of an endowment fund as a source of revenue for the operation of the institution (Islamic University in Uganda, 2011b). It therefore presents interesting comparison with the NU which is a secular purely private institution.

In terms of governance power is vested in the University Council, just like it is with the other universities in the study. However, unlike the other universities, Council sits once a year in February shortly before graduation and is chaired by an international member nominated by the OIC. It is at this meeting that the Rector presents the annual report and the budget for the subsequent year. And whereas the University Secretary is both the Accounting Officer and also Secretary to Council in other universities, in IUIU the Rector, who is equivalent to the Vice Chancellor as the chief executive of the University that is the Secretary to Council. Having the CEO as accounting officer not only highlights a central steering core but also gives him a firm grasp of the institutional affairs vested in the *Rectorship*. Several informants in this study indicated that both the authority to spend and the internal accountability are vested in the *Rectorship*. Thus whereas the Vice Chancellor is seen more as an academic head in other universities, for IUIU the Rector is both the academic and administrative head. The Rector is deputised by the Vice Rector Finance & Administration and the Vice Rector Academic Affairs who until the year 2010 also held the portfolio of Finance and Administration.

Although University Council sits once a year, its three committees including the Finance and Planning Committee sit regularly during the course of the year to give guidance and policy direction. These committees chaired by nationals external to the organisation, provide an oversight role; and are similar to those at public universities. While the University has no structured direct reporting framework, Government interests in the institution are ensured by the representation on Council. Furthermore, as the host OIC member country, Government has played a significant role in the nomination of Rector; and as noted by several informants in the study, this officer has also been invited on several occasions to the Social Services Committee of Parliament to explain the operations of the University.

For the supervision of day to day operations, there is a management committee comprising of the *Rectorship* and other administrative heads but excluding academic unit heads. The financial

affairs of the University, prioritisation and resource allocation both at macro budget and periodic expenditures are handled at this level. An Executive Board that is equivalent to Senate in other universities handles the academic affairs of the University on a monthly basis. Other established structures include a Deans' forum at the beginning and end of every semester to generate internal cohesion and peer review and to plan for academic activities. The next sections are a representative of the strategic thrust of the university and how it relates to the financial perspective. They also provide the basis for comparison with other universities in the study as outlined in Chapter 6.

5.3.1 Strategic Performance Management Structure

5.3.1.1 Management Control Systems and Information Management

The information systems in IUIU are still manual and fragmented. An attempt has however, been made to computerise the databases and link them to facilitate decision-making. Where previously the University had 'pockets' of automation in the academic (exam) and accounting departments (Islamic University in Uganda, 2011b); the home-grown Enterprise Resource Planning (ERP) is being designed to link three key departments namely: the registry for student data with respect to application, admission, registration and graduation; the University Secretary for human resource data with respect to staff profiles, appointments and contract management; and the bursary for financial management information. The system is being developed as an interlinked and integrated information management system that will extend to processes such as timetabling, and management of lecture space within the main campus. It is also expected to facilitate the internal cohesion between the registry, the bursary and the academic units.

An integrated information management system notwithstanding, the size of the institution coupled with the centralised nature of financial systems means that the University executive has a more readily available access to information. This was confirmed by one University Executive when asked he receives the right information at the right time?

Yes we get very adequate reports. Each department is expected to give us quantitative and qualitative reports' (University Executive).

Spliced with the adopted fortnightly meeting monitoring framework the executive has access to performance information even when there is no structured documentation of this performance. This arrangement has also generated ownership and capacity to mitigate

tensions that have spared the University from industrial strife a widespread phenomenon in the public institutions and also evident in some of the private universities in Uganda.

Although the administrative, financial and management structures are centralised, and the executive acknowledge that they have adequate access to information particularly from the administrative units, the flow of information from the centre to the units is inadequate and the level of communication between the centre and the academic units still tenuous. While the University executive recognises this short coming, it points out that it should be perceived in light of the benefits, constraints and challenges of an evolving system. Thus in the words of one University Executive,

Units rarely get appropriate feedback on financial matters except in cases where they go and seek for that information. Staffs in the Bursary are overwhelmed. People are complaining about the length of the procurement and requisition process so we have told them that they are academicians and should do their core business and let us procure for you. (University Executive)

It thus emerges that for IUIU the centralised nature of management limits the participation of staff in the financial decision-making process. Yet with a staff of less than 10 to handle budgets, allocation and fees collection for all the campuses, the staff in the bursary is over-stretched and thus presents constrained capabilities to provide the relevant information to both centre and the units. The perspectives on financial communication by the different players are captured in Figure 5.18: These were obtained as staff's response to the thematic interview question 1. The figure illustrates the profiling of information communication channels as a measure of effectiveness. For the students periodic formal communication through circulars has been applied. Communication to staff on the other hand is intrinsic with the extreme cases being informal tele-communication.

Figure 5.18 : Financial Communication in IUIU

Formal	Intrinsic	Informal
<p>Communication to students every semester about the fees payment guidelines and deadlines. The cost of late registration. University charges communicated to students and sponsors in the admission letter</p> <p>[5:1][8]</p> <p>he bursary comes first - it is top bottom not the other way round- we shall not register a student unless the bursary has cleared. I would say we get to know info on finances from the top. the bursary sends a list of the paid up students</p>	<p>Although I'm part of the rectorship and I get access to the weekly meetings- the bursar provides information about the fore rates to enable us get maximum benefit to clear some items-</p> <p>[5:4][10]</p> <p>we have a faculty account each faculty have an account on which students pay we can easily tell if we have an increase in collection and this will depend on the number of students. but we normally get to know the status of our account close to exams.</p>	<p>the information does not come automatically but you have to solicit for it-</p> <p>[7:5][13]</p> <p>Not really, because it is knock your head and then you learn, you have to go out and seek the information</p> <p>[7:1][8]</p> <p>Basically it is the phone you pick up the phone and then talk about issues, this is then followed by written communication</p>

Thematic Question 1: Do you have centrally linked databases? How accessible are they? What are they used for? Are they used for report generation? How do they support the financial management process?

5.3.1.2 Strategy, Mission and Performance Targets

The first University Strategic Plan was formulated for the period 2005/06- 2015/16; the plan outlined the University mission as increasing access to HE for the Muslim community; promoting and enhancing the civilisation and scientific influence of Islam in the region. The University priorities included Islamic culture, norms, traditions and practices addition to integrating ICT in teaching and research (Islamic University in Uganda, 2005). Although the plan recommended an implementation and monitoring administrative structure, it did not explicitly document a monitoring and evaluation framework; neither did it outline any performance indicators to facilitate systematic implementation and performance evaluation. The plan however, envisaged the formulation of business plans for operationalisation at unit level. These would also form the basis for annual performance targets, goals and objectives. The realisation of the business plans has had not only varied success but also limited uptake as far as guiding the activities of the University is concerned. Given this shortcoming, the linkage

between the documented strategic plan and the budget is weak. Therefore reference to the Strategic Plan in the day to day operations of the University is almost non-existent. This was emphasised by informants in the response as to whether the strategic plan is used in the day to day operations when they noted that

We have been struggling to keep in view the strategic objectives /goals as outlined in the strategic plan (University Executive).

I do not think we consult the strategic plan on a day to day basis.... the University is unique because it is both public and private, also secular and theological, so this impacts on how we do things. At certain time the planning was about numbers, now it is about infrastructure , therefore we at the faculty we may not think strategically, as long as we have students as long as instructors are there then we will be able to do our job well (Faculty Dean).

The mismatch between strategy and operation is further aggravated by the adopted central resource allocation and management mechanism that does not largely consider the unique attributes of individual units. While the weak link was acknowledged by several of the informants, others described it as diversionary:

They divert a lot, if you look at the mission for IUIU it is a very good one but most of it is not followed if there anything that is to follow the plan it probably 10-20% most of it is diversionary (University Official 1)

We also do not make reference to the plan. You know most of these issues, as you think of doing this one something else comes up so there is always that diversion and making reference to the business plan does not feature. (University Official 2)

On the other hand, the institution makes pronouncements of a strategic nature on an annual basis. For example, the budget proposals for the FY 2011/12 were based on the theme 'effective utilisation of University resources underscored by deepened financial management discipline' (Islamic University in Uganda, 2011b; 8). Furthermore, the budget proposal document evaluates both the internal and the external environment and attempts to integrate some of the issues identified in the University budget. However, similar to other universities, specific targets and performance indicators are not underlined by the budget proposals. Generic statements have been given as budget objectives. Similarly, the reporting from the previous year's budget is general and does not provide sufficient evidence for learning, which would have been a valid rationale for producing the report.

Yet infrastructure stood out as a key focus of the institution at the main and branch campuses. It also embodies the target-setting ethos of the University, both in terms of focus for internal and external resources and the achievements captured in University reporting. It has also been

communicated throughout the institution as one of the key priorities for institutional advancement. This highlights the concept of ownership and its impact on implementation of the university strategy.

Further elaborated as a strategy is the focus on 'sensitive' items; although not core to the University these, have been identified as areas that if neglected would cause tension and therefore have to receive adequate attention throughout the financial year. The sensitive areas were elaborated by one of the informants when he noted that,

We look at activities that if delayed will cause a significant impact in the functioning of the University, for example, the health centre is a priority because it is sensitive (staff and drugs), examination costs, generator fuel, the hostels are served with a generator (University Official).

5.3.1.3 Performance Measurement and Management

The University does not have any established mechanism for PMM. Whilst the Strategic Plan sets broad goals and objectives the performance indicators both at the institutional and the individual level are not highlighted. From the management perspective the absence of performance indicators at the individual level, similar to Mak and KYU signals a fundamental problem. This is seen in the inadequacy of institutional facilitation for staff in terms of offices and research funds, a situation not helped by the fact that on average 63% of the staff is part-time.

In terms of financial management and adequacy of resources, the part-time staff practice frees the University from the attendant facilitation that goes with full-time staff including retirement benefits and other welfare requirements. This is further exemplified by the ratio of 43% academic to 57% administrative staff expenditures in the 2011/12 budget and 45% for academic compared to 55% for administrative salaries in FY 2010/11 (Islamic University in Uganda, 2011b). It also underscores the assertion by Mak that public institutions subsidise the private universities by offloading the basic remuneration component from the bulk of the staff offering services in those institution. This was outlined by one Mak official when he noted that,

A number of our lecturers moonlight, so their cost structure is different from ours, somebody who is moonlighting is not paid a salary but is paid an allowance for Mak these people are paid a salary so their basic cost is different (Mak, Official).

Nonetheless, the sourcing of staff from public universities also takes away the capacity of the serviced institution to demand for additional performance in terms of research and outreach

beyond basic teaching service. At the same time, it highlights the inadequacy of human resource within the Ugandan HE sector as a whole. The executive in IUIU acknowledged that the opening up of branch campuses in Mbale by competing universities provided an opportunity for IUIU to access more staff in the Mbale main campus as illustrated by his response when asked to elaborate on the focus of IUIU. .

In the next five years we want to focus on research which has been our weak area but for good reasons we have a disadvantage that we are upcountry, the good lecturers concentrate in the city, issues to do with supervision, many of the lecturers do not want to teach here/ up country, but we hope that with the opening of satellite campuses for the different universities in Uganda, Uganda Christian University, Uganda Martyrs University, and others we will be able to increase the number University lecturers we can access. (University Executive)

For the full-time staff the University has been able to establish a mechanism for individual performance contracts. Although staffs are not mandated to produce performance reports, there is a staff evaluation mechanism through the administrative hierarchy of the Head of Department, the Dean, the Academic Registrar and the Rector. A staff review committee evaluates each member and agrees on whether to renew a contract or not. Contract time frames vary according to perceived performance, in time slots ranging from one – three year contract extensions, which provide a link between resource allocation and performance. Whereas this would have been applauded as a good human resource performance practice, the drawback has been that it creates job insecurity and consequently negatively affects performance. The attendant drawback of the adopted performance reward mechanism was captured by one Dean, who noted that,

Of course it becomes fragile, people are not stable, they do less quality work, they are here and there because they are not sure, it demotivates people and you find that the turnover of staff is high (University Dean) .

At the institutional level, performance reports have been used at University Council meetings to mobilise resources particularly from OIC member countries. Although the University is not mandated to produce reports for the OIC, it has used these reports to showcase achievement, transparency and accountability for resources provided as highlighted by one informant.

Our council reports are sent to the OIC secretariat although it is not a requirement. We use performance reports to access resources. We show them that with the limited resources we have been able to achieve much and then indicate our requirements- because it is a high powered meeting they require summarized reports and from this we have had cases where instead of loan repayments these resources have been ploughed back to improve university facilities. (University Official)

The Rector's report to Council which includes audited accounts for the previous year; and the proposed budget for the subsequent year have three basic advantages; harmonised reporting, executive ownership and the link between the annual report and the budget. The report however, does not have a standard format. Target reporting therefore remains to be effected at the discretion of the Rector. Nevertheless, the Rector's report to Council symbolises external stakeholders performance reporting.

Although the reports provide a general overview of University operations and targets, they have not been structured to reflect a systematic monitoring and evaluation framework particularly with respect to academic and/or mission related performance indicators, neither do they show the systematic movement of the University from one position to another. Figure 5.19 illustrates the variance of performance indicators as perceived by informants in IUIU. This ranges from informal but implicit expectation to the formal understanding and the rationale behind the limited application. Nonetheless, the concurrence of the Council meeting with the annual graduation ceremony¹⁸ of the University is one form of output based reporting.

Similar to Makerere and Kyambogo Universities both the annual report and the budget are presented in February for an academic year that begins in August. This is insufficient time to document, achievements and challenges as well as learn from the previous year's implementation.

¹⁸ The Chairman of Council presides over the graduation ceremony

Figure 5.19: Diversity in Performance Indicators in IUIU

Informal		Formalised		
[8:4][19] ----- We do not have documented performance indicators. we have not used the faculty strategic plan although the university has	[6:15][17] ----- They are certain things that we know we are supposed to do for example when a semester opens, teach mark, and register so the university operates. I think it is just embedded there	[6:6][11] ----- first indicator is student enrolment the bigger the number that is good if the numbers reduce we are not doing well. If the number of students going for dead year are few then we know that we have our students around us	[5:9][19] ----- we do appraisal at different levels, the students appraise academic staff, the heads of depts. appraise staff within their depts., the deanship appraises the lecturers the academic registrar appraise. all line managers appraise. the VR and Rectors	[4:44][10] ----- But when you go in PIs, you also have to go into a few other issues. When you do not have offices, you are still struggling with a few basics then you have to go slow for example we have minimum targets and they agree to them
[5:12][19] ----- every beginning of semester they will remind us of what is expected of us un as far as teaching is concerned. the moral conduct and other things.	[8:3][19] ----- attendance to core activities, if we are teaching the lecturers are attending to students we supervise them , we attend to complaint sin time we give the necessary requirements, time table then we are performing	[6:8][11] ----- they are there but what I would say they are not a running programme to determine where we are, from department level we look at the academic point- by the third week do we have all the lecturers, do we have the course works	[9:9][23] ----- We have some indicators, members of staff are publishing, they come up with innovations, for example they are adding value to bamboo shoot powder, to cassava and things like that. People win small research grants. We sit down as a faculty and evaluate how far we have gone in terms of personal development or faculty development, then we come up with a report and document that.	
[4:43][10] ----- We do not have performance indicators formalized, although in our A mechanisms we have tried to-do some programmed assessment and benchmark.	[6:7][11] ----- If we have the requirements we need from top admin then we know we are okay			
<i>Question: How do you know your institution is performing?</i>				

Meaningful PMM is underscored by an appropriate rewards and feedback mechanism. The section below outlines the adopted performance rewards and feedback pathway for IUIU.

5.3.1.4 Performance Rewards and Feedback

Although inadequately articulated, IUIU unlike all other universities in the study has an annual staff performance reward and recognition mechanism. The annual staff evaluation system has been used a vehicle to identify staff that deserve recognition. Together with the contract renewal mechanism, the staff rewards system acts as a feedback loop between individual staff and the central administration. Recognition takes various form including certificates of merit,

and tokens of appreciation. The culture also encompasses retiring staff, which may not directly impact of specific staff future performance but acts as a motivator for other staff in service.

The criteria used for feedback and rewarding staff needs additional refinement in terms of setting down ground rules and managing expectations in terms of the rewards given. This was illustrated by informants as outlined in their response to the question of how performance was rewarded in IUIU.

This criterion is not well communicated because people do not know what they will be evaluated against. The only feedback you will receive on the staff evaluation is shortening your contract. If the contract is shortened, that is an indicator that you are not performing. If it is the same then probably you are performing, (Dean).

But we do not have a clear policy of what to give in tangible terms. We give according to management discretion, (University Official).

Apart from individual rewards and feedback, the University does not have a structured performance reporting framework at unit level. Nonetheless the University has adopted a student evaluation system that provides feelers on the academic performance of the faculties. Furthermore, peer review has been adopted by the Executive Board meetings scheduled at the beginning and end of every semester. These meetings provide a learning frame for the units although the structures for performance rewards or sanctions are yet to be institutionalised. At the same time, the centralised budget operated means that the resource allocation information is not readily available to the units. Performance rewards therefore in form of increased allocations and/or additional resources to enhance activities have not been documented and/or communicated to the units.

5.3.2 Financial Performance Management

5.3.2.1 Resource Allocation and Management

Like all finance related activities in the University, resource allocation in IUIU is highly centralised. The University operates a tuition collection system similar to that of KYU. By this arrangement each faculty has an account into which tuition and other fees charged to students is paid. For IUIU this is only meant to act as a planning tool to appreciate the percentage contribution of resources from each faculty. The centralised resource allocation implies that, whereas the faculties are used as fees collection centres these resources are pooled and then reallocated depending on need. Asked the resource allocation mechanism applied one University Official responded that,

The Faculties are just administrative organs for the smooth running / help top admin in running the University not only in academic but also in resource mobilisation. Every Faculty has its account, but that does not mean we own the money it only helps top administration to know how much has come from the different faculties (University Official).

Resource allocation according to several informants is the business of the bursary in liaison with the *Rectorship*. Management of finances by unit heads is then limited to advances made when a specific activity such as travel is made. Similarly, the role of academic staff in resource allocation is very minimal. Besides, the Strategic Plan has not been used as a key document for resource allocation. Neither is there reference to past performance at the unit level predominantly because of the centralised nature of budget implementation and limited information flow with respect to resources available for unit expenditures. Unit participation can be summarised by the statement by one of the deans.

We do budgeting but it is not rigorous because you know they are not going to give you the vote; so people just do it for the sake. We submit to get it out of the way. We do not have targets, you cannot say that I did this in this academic year, and when the year is gone it is gone and we do not make reference to past financial year. (University Dean)

The response suggests that the staff do not believe in any functional value of budgeting since their budgets are limited to paper documents. Nonetheless, because of the strengthened steering core vested in the *Rectorship* together with the challenges that come with the young age of the institution, there was an acknowledgment that the priorities identified by the *Rectorship* were appropriate and that inadequate resources notwithstanding, the investment choices made in terms of capital and other developments met the expectations of the internal constituents.

According to the Bursar, the University has adopted a combination of line and performance based budgeting, it is also largely incremental in nature depending on what was spent in the previous year. Performance in this case is restricted to actual expenditure on a specific item as opposed to the outputs associated with the expenditure. The resource allocation model is further necessitated by the timing and the duration of the budgeting process. To coincide with the annual Council meeting, the budgeting process takes three months starting November and concludes in February. Since the financial year which coincides with the academic year begins in July of every year the timing of the budget process does not provide an adequate time frame for evaluation of the preceding year's budget performance.

An attempt has been made to break allocation into administrative and academic expenditures; Table 5.7 shows the percentage distribution of the University budget by category across all campuses. The table illustrates that 62% of total allocation goes to the main campus while 1% of total allocation is made to Arua campus. Evaluated further against income and by Campus, the percentage contribution by campus is equivalent to the percentage expenditure for the FY 2009/10. Nevertheless there are slight variations when absolute figures are considered. Main campus records a deficit of 238 million while Kampala records a surplus of 51 million (Islamic University in Uganda, 2011a). Thus the concept of cross-subsidy is relevant across campuses for IUIU as it is across disciplines and faculties in all universities in the study.

Table 5.7: IUIU Percentage Allocation by Campus 2009/10

Campus	Main Campus	Kampala	Female	Arua	Total
Academic costs	79%	14%	7%	0%	100%
Admin costs	57%	24%	15%	4%	100%
Salary arrears and other creditors	0%	100%	0%	0%	100%
Capital work in progress	53%	47%	0%	0%	100%
Additions to fixed assets	20%	61%	18%	1%	100%
Other payments	0%	0%	100%	0%	100%
Staff advances accountable	91%	0%	9%	0%	100%
Total	62%	25%	12%	1%	100%

Source IUIU Audited financial Statements for the period ended July 2010

From a functional view point, where academic costs constitute 62% of total allocations in the main campus and administration takes 29%, the branch campuses have a higher administrative allocation than the academic costs at 31%, 42% and 85% against 29%, 27% and 7% for Kampala, female and Arua campuses respectively. The implication here is that branch campuses have higher administrative overheads compared to the main campus. This can be explained by the fact that the academic component is largely handled by part-time lecturers in the branch campuses and since employee costs constitute the largest share resources, academic costs in the branch campuses are suppressed. Looking at a three year resource allocation trend, academic costs have an average of 43% compared to 36% for administration and 20% for capital development (See Table 5.8).

Table 5.8: IUIU Percentage Expenditure Category 2009/10- 2011/12

Cost Category	2011/12	2010/11	2009/10
Administrative	37%	35%	36%
Academic	45%	42%	43%
Arrears	0.4%	0.3%	1%
Capital	17%	23%	20%
Total	100%	100%	100%

Source University Budget 2011-12

The employee and associated costs similar to other universities in Uganda take the largest share of resources at more than 60% for both the administrative and academic component.

5.3.2.2 Resource Mobilisation, Revenue Generation and the Diversified Resource Base

The University has several sources of revenue: 5% of the University revenue comes from the OIC through its financial arm the Islamic Solidarity Fund (ISF); 83% of the operating revenue comes from tuition and other fees; the balance comes from grants and donations predominantly from Islam related countries, foundations and/organisations. The University also has an endowment fund, which has contributed USD 200,000 annually since 2008 (Islamic University in Uganda, 2011c). In the financial portfolio for physical infrastructure development, the University acquired a loan guaranteed by Government of Uganda from the Islamic Development Bank. Further reflected in the books of accounts are government grants in kind such as vehicles and land valued at US\$ 7.3 billion for the Financial Year 2009/10 (Islamic University in Uganda, 2011a).

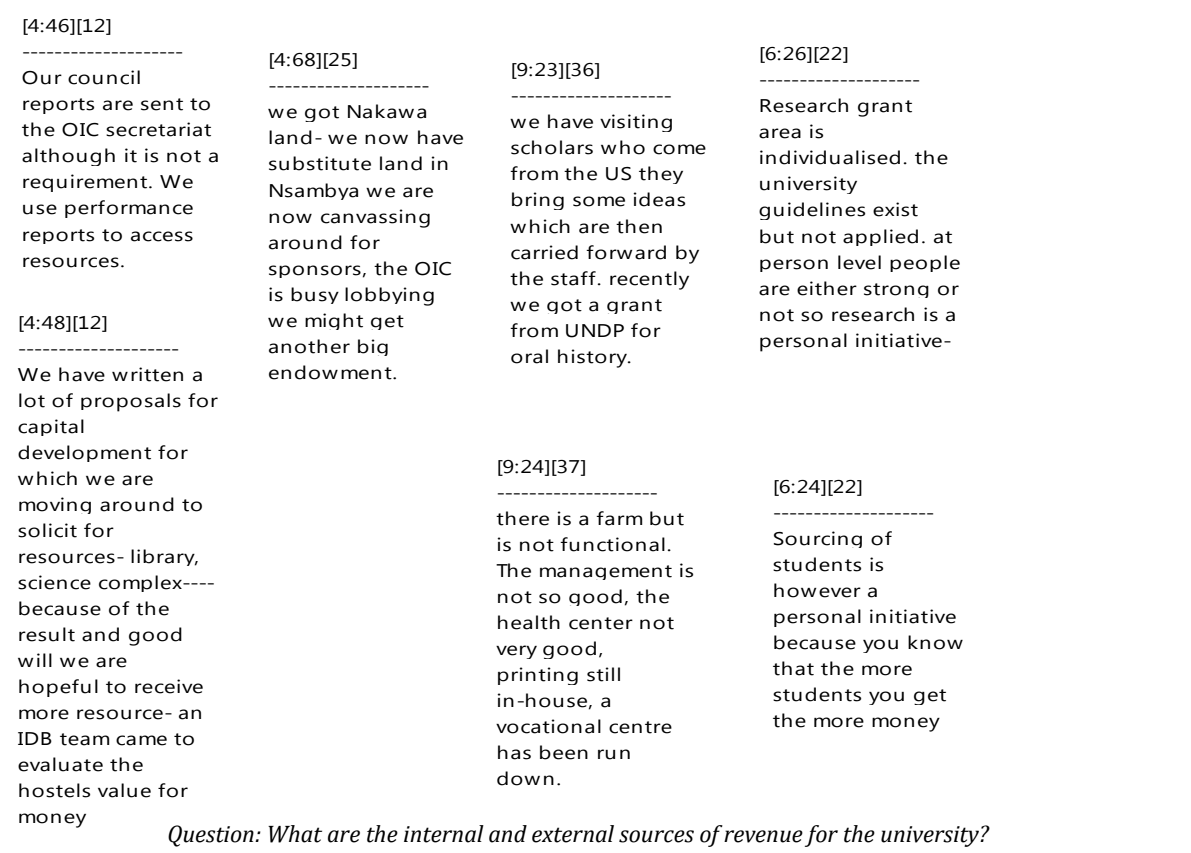
The University Council unlike for other Universities in the study has been actively engaged in resource mobilisation; indeed the King Fahd Plaza, a real estate endowment was established through a direct intervention by the University Council. The management of this endowment is chaired by the Saudi Arabian Ambassador to Uganda; further highlighting the external influence in the financing of the University. In most of these cases, government's role has been not only as guarantor to maintain diplomatic stability and ensure smooth operation but has also as provider of the land on which the establishments are located. Government has also granted tax waivers during construction.

Being an OIC member based institution places IUIU in a unique and advantaged position: She can mobilise resources from member states, a factor further enhanced by the Council membership. The Rector's annual address to Council entails a fundraising appeal to member states for resource mobilisation as a collective responsibility for the University and Council. This together with the Islamic religious sentiments and customs ensure a continuous flow of small grants that supplement the OIC grant and the fees from students. For example, for the FY 2009/10 the University received close to USD 1 million in grants and donations from the different Islamic charitable organisations (Islamic University in Uganda, 2011a).

Other financing mechanisms have been through several scholarships to national and regional students received as grants from Islamic organisations and OIC member governments. As a

stated institutional strategy, the Rector highlights the need for these scholarships to Council on an annual basis. To a very minimal level the University also receives income from commercial/service units such as the health centre, the farm, the printing unit and the guest house. Figure 5.21 shows the efforts of IUIU at resource mobilisation and diversification. This manifests at individual level through research proposals to collective effort through reports to the OIC and proposals for capital development.

Figure 5.20: Resource Mobilisation and Diversification in IUIU



Furthermore, as an institution with autonomy in resource allocation and utilisation, the University has generated investment income from both the OIC annual grant and the endowment fund. These operate as a financial reserve for the University in periods of financial need. The OIC grant is used for recurrent expenses with flexibility in management that is reminiscent of the private business sector. The communication structures ensure that the executive have relevant information to make financial decisions as illustrated by the response to whether the right information is given at the right time.

The bursar provides information about the foreign exchange rates to enable us get maximum benefit to clear some items- an interesting method to face reality- OIC provides money in dollars so we sell when the dollar rates are good (University Executive).

Indeed the income portfolio reflects foreign exchange gain of UShs 190 and 205 million for the 2009 and 2010 financial years respectively (Islamic University in Uganda, 2011a). This provides an example of how markets influence the financial affairs of the University not only from the perspective of fee paying students but within a broader market framework. It also implies that the finance department has to be alert to the changes in the market price to facilitate maximum benefit. This practice has been applied to NU in terms of capacity to operate fixed deposit accounts based on the interest rates offered by the bank. On the other hand public accounts regulations do not permit this type of financial autonomy and flexibility within the public universities.

Extending the market perspective to tuition fees, the decentralised system enhances collection and ownership of the resource mobilisation process at the unit level even when the allocation is centrally controlled. It also embeds an accountability view point since it is used as a measure for the units to justify their continued existence. As such, units strive to ensure that their collections are aligned to the student population in the academic programmes. It also provides the impetus for developing new programmes to attract additional students and resources.

5.3.2.3 Product Costs and Cross-subsidisation

Similar to other universities there is limited relationship between the costs and the fees paid by the students in IUIU. The existing fee structure is based on historical figures and not on the direct inputs to the academic process. Fees once established have limited periodic increments so as not to destabilise the functioning of the University in terms of enrolment and the basic activities associated with it. The level of fees in this case is then presented as equilibrium between effective demand and supply for a particular programme as opposed to the true cost of offering the programme, as pointed out by a University Official,

Some of them are just market driven courses, it is a general feeling that for those that are demanded the cost is high, when the demand is low, fees have to be kept low so as to have students on the programme (University Official).

Demand in this case is discerned by affordability and the capacity to pay for the programmes at the stated fees rate, as is illustrated by the executive that.

Our programmes are highly subsidised, we are offering charity. If we were to charge a unit cost then we would not have students (University Executive).

This executive assertion not only underscores the lack of incentive for the University to establish the unit cost for the programmes offered in the University but also highlights the complexity of University financing in Uganda. Table 5.9 compares income and expenditure over a five year period. From the table it can be discerned that the University has been able to operate within the available resources a factor further enhanced by the accrual method of accounting adopted by the University. Yet the expenditure figures compound both recurrent and capital costs the therefore do not provide an adequate picture of the unit expenditure neither do they offer a satisfactory basis for comparison with other universities. And despite the surplus from the income and expenditure figures, other University documents have made reference to arrears, predominantly staff remuneration associated expenses (Islamic University in Uganda, 2009).

Table 5.9: UIIU Financial Resource structure 2000/01-2009/10 (UShs Millions)

Year	2003/04		2004/05		2005/06		2007/08		2008/09		2009/10	
	USD	UGX	USD	UGX	USD	UGX	USD	UGX	USD	UGX	USD	UGX
Exchange rate 1 USD: UShs	1876		1720		1800		1624		2000		1950	
Income	\$2.73	5,126	\$3.25	5,595	\$3.88	6,985	\$5.92	9,611	\$7.60	15,196	\$7.42	14,478
Expenditure	\$2.67	5,013	\$3.20	5,497	\$3.59	6,459	\$5.66	9,197	\$6.75	13,500	\$7.05	13,749
Surplus/deficit	\$0.06	113	\$0.06	98	\$0.29	526	\$0.26	414	\$0.85	1,697	\$0.37	729
Enrolment		2729		3245		3879		5029		6282		6643
Avg. unit expenditure (mil)		1.84		1.69		1.67		1.83		2.15		2.07
Average fees						1.06				1.3		1.3

Source: University annual report & audited accounts

In terms of general costing, the centralised nature of resource allocation by the University facilitates cross-subsidisation and ensures that the various aspects necessary for the operation of the University have been addressed. Different programmes therefore are able to access the central services such as the library and ICT on need basis. At the same time for each student, just like it is in other universities, the administrative fees have been categorised as distinct from the tuition fees. For any enrolled student there are extra fees including registration, examination, identity card, library and research. The distinction of these fees is the attempt by the University to cost the non-tuition based activities that are associated with academic provision.

Nevertheless, there have been attempts to establish a cost benefit analysis before programmes are mounted. The University has a provision of 20 students before any programme can be offered. The decision to halt programmes due to inadequate numbers is usually taken by the admissions committee. This has applied even to programmes that have been running over a long period of time. For example, the Bachelor of Science degree did not have first year students in the 2011/12 academic year due to insufficiency of numbers.

5.3.3 Financial Management Structure

5.3.3.1 Financial Guidelines and Authority to Spend

The University operates a highly centralised financial management structure, authority to spend even to the smallest detail therefore lies with the *Rectorship*. However, because the University operates a multi campus facility, within diverse specific geographical settings, the branch campuses have an expenditure threshold within which to operate whereas centralisation is complete at the main campus. These campuses are also expected to produce audited financial statements at the end of each financial year. The access mechanism was illustrated by the executive as

Each faculty has a tuition account. Within the main campus administration is centralized, the campuses request for a transfer we remit the money based on the students they have. At the campus they have autonomy they have to provide details of what they are going to use the resources for. (University Executive)

At the middle management level, the financial affairs of the University are vested in the Bursary which is responsible for managing resource inflows, resource allocation, and expenditure management. Illustrated by informants is the varied perception of the financial management guidelines in the University, when asked to elaborate whether they have financial management guidelines.

Yes we have, and as secretariat we follow them. More so when we want to procure something we go through the system. This is well documented in the accounting manual. The manual was last updated in 2008 it is still current but some things change from time to time. (University Executive)

Since I do not handle finances I do not need financial management guidelines, they are general guidelines but they are lukewarm (University Official)

While the executive asserts that financial management guidelines are periodically updated, the officials note that utilisation has been limited to three sectors, namely: the Bursary; the *Rectorship*; and the branch campuses. Both academic and administrative units have minimal

involvement in the financial affairs of the University and the financial management guidelines are of limited relevance outside the three units. It may also be an indication of the challenges of implementing financial management guidelines in a tightly coupled system such as IUIU.

5.3.3.2 Accounting Method

The accounting method adopted is one of the key variables in the analysis of financial management in organisations. As a principle the University adopted the accrual method of accounting in 2004. This enabled it to fit within the available resources as a pre-condition for breaking even. The University has also explicitly documented the need to be financially self-reliant and work under the principle of going concern as an accounting standard. Despite this however, the University has documented inadequate financing as a major challenge in the execution of its functions (Islamic University in Uganda, 2011c). By adopting the accrual system the University is also able to recognise students as debtors and record them as such in the books of accounts. Yet the limitations for fees collection apply as well. This is exemplified by a university executive, who in response to the inquiry about the relationship between costs and fees paid by the students' asserts that,

Those deadlines do not work. This is the only University to the best of my knowledge that allows students to study even by not paying 50% of the fees. We never send them out of class we passed those deadlines in Senate a long time ago but we cannot implement them we are just being realistic (University Executive)

Recognising that tuition and other fees constitute the bigger percentage of the resources available for the operations of the University, and that there is a general acknowledgment that the HE environment in Uganda is not conducive to fees increments; the University focused on devising mechanisms to improve fees collection. The IUIU tuition fee collection system code-named the 'zero balance' policy was designed to capture slippages and monitor the student payment process. The policy replaced the 'pay as you do policy' that had enabled students to sit exams for a proportionate number of papers but also generated receivables to the tune of US\$ 1.5 billion (Islamic University in Uganda, 2007). Implementation of the zero balance policy requires synergy between the bursary and the academic units; communication for example, is a key enabling factor for its success.

Nevertheless, the final accounts show that despite this elaborate functional system, some students have failed to meet their financial obligations and are therefore recorded as 'bad debts'. To this end a provision of 10% is made for continuing students' doubtful debts while 100% is made for students who have completed their academic programmes. For 2009 and

2010 these stood at UShs 1.7 billion and 1 billion representing 63% and 29% of students' receivables for the two years respectively (Islamic University in Uganda, 2011a). The figures not only underscore the challenges of application of private sector management practices in academe but also reflect student attrition as a result of financial strain, although no studies have been undertaken to establish the correlation between the two variables. The financial limitations are acknowledged as indicated by one official when he notes that

The concern is that when we raise the figures the enrolment will be affected drastically based on the number of students that apply for dead year even when the fees are low. The executive board says that let us leave the increment. (University Official)

The treatment of depreciation in the books of account is an indicator of private practice adoption in the academe. For IUIU apart from Kampala Campus where buildings are depreciated at 5%, land and buildings are not depreciated. All the other assets are depreciated at 20% except for computers and accessories which are depreciated at 12.5%. Furthermore, unlike all the other universities in the study, non-current assets including land and buildings are valued and factored into the financial statements of the University, also accrued is work in progress and inventories (Islamic University in Uganda, 2011a). In the financial sphere therefore the University operates as a private sector entity.

5.3.4 Conclusion

The IUIU case illustrates the private aspects of financial management as they could apply within the HE sector in Uganda. The University operates a decentralised fees collection mechanism that holds units accountable for resource mobilisation, yet it has adopted a centralised resource allocation and management process that ensures equitable distribution to the different activities of the University. The Council as governing body operates in an approach closer to the Company Boards in the private sector. Similarly, the Rector as CEO takes full responsibility for the academic and administrative functions of the University. In line with international trends, the University has been able to establish and operationalise endowment as a source of revenue. It has also successfully adopted the accrual method of accounting, which is deemed to superior to the other accounting practices. Challenges however, still manifest in the operationalisation of the Strategic Plan and linking it to resource allocation. In addition, PMM as well as the reporting framework for the institution remain fluid.

5.4 Nkumba University: Case Description

Nkumba University categorises itself as a community not-for-profit private University, not affiliated to any church or religious persuasion (Nkumba University, 2007). The University metamorphosed through the various levels of education starting in 1952 from the lowest level of a kindergarten. It was established as a University in 1994 when the Board of Trustees was approved by the Ministry of Education to transform the hitherto College of Business Studies into a University. It was chartered by the National Council for Higher Education in 2006 and is one of the five private universities in Uganda with this status¹⁹. Like most private universities in Uganda, the University depends on tuition and other fees for financial sustenance; these contribute 99% of the total resource for the University.

In terms of governance, the University is led by a Board of Trustees (BOT) as the supreme policy making organ. The BOT is supported by a Council which is responsible for overall policy making and general steering of University operations. The existence of the Board of Trustees and the selection of its members primes the University as a community-based institution, duly established and constituted by the community within which it is situated.

By the 2010/11 academic year the University had an enrolment of 7,165 students balanced at 50% for both male and female and spread across six faculties. The University sees itself as a principally business and management studies institution. Therefore the School of Business Administration which constitutes 57% of the total enrolment is the target of several national and institution based evaluations. It also reflects the history and evolution of the institution from a College of Commerce to University status.

Whereas the Board of Trustees was expected to be an independent body that acts as a reference point for institutional operations, practice is that there is a cross over between the different organs of the University. The BOT as a foundation body is represented on Council and Board members are also appointed to Management Committees which are operational in

¹⁹Where public universities are established by act of parliament, accreditation of private universities is in the form of a charter, private universities that have not attained this status are either licensed or unlicensed. For a University to be chartered is must fulfill the regulatory requirements established by the National Council For Higher Education

nature. From this perspective, there is a blur in the roles and responsibilities of the different organs of the University as noted by one informant,

Our governance is still very difficult, because you would need to have the owners (BOT) the directors (Council) and Management- independent but now you find a BOT as a member of Council and also in management, (University Official).

This affects the capacity of the BOT to hold other organs of the University accountable, since they participate in the decision-making process at management level.

The above observed gap regarding governance made it necessary to probe both administrative and academic units as a means of understanding how the actors relate with the university management structures and establishing how this impacts the FMS of the University. The next sections therefore provide a descriptive analysis on how the University community perceives the FMSs, structures and practices. The section begins with the non-financial dynamics in financial management under the premise that financial management extends beyond the books of accounts to embrace strategies and institutional objectives. The first segment outlines the financial management framework and structures. It focuses on the information systems and the databases that would enable financial integration. Information systems are also expected to be the building block for performance reporting and communication between the university and its internal and external stakeholders.






5.4.1 Strategic Performance Management Structure

5.4.1.1 Management Control Systems and Information Management

The information system in NU can be characterised as evolving, the University has been operating a fragmented system that has independent databases with respect to staff, student and financial information. As such, each system or unit generates reports that are not necessarily in tandem. Whereas the financial system has been computerised and applied *Pastel* an off-the-shelf software for the management of finances, the academic records have largely been manual and not indexed to facilitate both reference and report generation. Human resource information management on the other hand, has been non-existent since the Human Resource Department was newly created; a transition from the personnel section under the University Secretary's office. Even with the manual system, the link between the financial thrust of the University with the academic and human resource function is still tenuous. This is illustrated by Figure 5.22 which provides a snapshot of the status of information systems and

the associated challenges from the perspective of the informants in response to thematic question 1 MCS, centralised databases and linkage between the databases.

Figure 5.21: Information Systems in NU: The Progress Debate

				
[26:1][2]	[25:33][6]	[18:33][5]	[18:34][5]	[22:30][4]
----- We are just starting the ARMS which is going to integrate the financials and the academic records - in my view everything is still scattered, we have something here something there we do not have a comprehensive system that handles all information in the university	----- No, information is a very big challenge in this university, some one may know what to do but not know how to present it, our role is to make sure that we work together to see how best to improve the information formats overtime.	----- I don't think we get any financial information as such and until recently when we had a budget conference that is when we started to see how the finances are.	----- Information has not been flowing effectively. If you want financial information may be as an individual you go the University Secretary who is the accountant for the university from there you go to the Bursar then you go to the procurement office who will end up telling you that there is no money.	----- NCHE was a catalyst in compiling this info. right from the time when we were compiling info for the charter we did not think that this information was important
<i>Management control system questions 1.1-1.6 interview guide</i>				

Although the University is in the interim stages of implementing the Academic Records Management System (ARMS) a computer based system that is expected to integrate financial, human resources and academic records, it emerged that the different officers within the University have a varied understanding on how the new system is expected to operate. Whereas the academic units are unclear about its implementation, University management emphatically articulates it as a positive way forward. What does not fully permeate the discussion for both the operational and management level is the linkage that the system has to the strategic plan provisions, performance indicators and performance reporting.

The primary reason advanced for the development of the information system is financial; the need for it is expressed in terms of ironing out the discrepancy between registered and paid-up students. Further elaborated is the role of the NCHE reporting requirement as a catalyst for developing comprehensive data sets. Similar to Mak, the learning curve of all the functions within the adopted system is highlighted as a major challenge and is likely to impact on the integrative capacity and utilisation of the system. The other factor that surfaces is the home of the information system. While there is an option to place it under the newly resourced Planning and External Relations Office where it will operate as the base for decision-making

with respect to institutional research and strategy, discussions reveal that the Finance Department is seen as the front runner in implementation. What emerges from the interaction is that the University may not have adequately articulated the requisite structure or the implications that will facilitate effective implementation. It may also be an indication of conformity to trend and expectations from institutions within the HE sector as opposed to a concretised and specified need by the University.

MIS goes hand in hand with communication. The University employs various modes of communication especially to internal stakeholders. Meetings and circulars predominate which according to informants do not provide adequate feedback.

Communication of financial information is a big issue. Like I told you people were getting weary because of this lack of information. You are engaged in a budgeting process but you do not get any information (University Official).

We do not get a formal feedback from management, we may get feedback during senate meeting or during the Deans meeting but this is a general feedback (University Dean).

On the other hand, similar to UIIU there is an established mechanism of interface between management and students.

We still have an assembly at the beginning and end of every semester like we used to have in secondary school (University Executive).

Similarly, communication at the management level is perceived as adequate since the relevant information is provided between the Finance Manager and the Vice chancellor. At the same time, finance department gives an impression of adequate communication with the various units as a mechanism to mitigate resistance particularly from middle managers.

What we call 'management meets all deans' before we go to the finance committee of Council. Because it is those people that will challenge the report if they are not aware of what takes place, (University Official).

For the executives such as the Vice Chancellor and the University Secretary these meetings which review resource inflows and utilisation provide a good snapshot of the financial status of the University; from the creditors to the suppliers and debtors of the University on a regular basis. They thus embody the assertion that executives receive the right information at the right time and in the right format. It also creates a bind at the executive level that highlights a better resource management format than can be seen in other universities. For the middle managers, deans and directors, information tension stems from the wish to control financial resources at the cost centre level. In a highly centralised resource allocation and budget

implementation framework coupled with the absence of clear and structured communication mechanisms within the University, unit heads believe that there is a deliberate effort by the 'Bursary' and the executives to withhold financial information. This together with a bureaucratic procurement and requisition system is seen as a constraint to effective performance management, measurement and reporting at unit level. It also underscores the contention that information flow will depend on the position occupied within the University. It further highlights the need for profiling information dissemination and management.

5.4.1.2 Strategy, Mission and Performance Targets

The University has had one strategic planning cycle that was due for terminal review by the time of the current study. The five-year plan outlined the priorities, goals and direction of the institution for the 2007/08– 2011/12 duration. While the plan delineates 9 key areas of focus ranging from the core functions of the teaching and research plus the support functions, the overriding force behind the formulation of the strategic plan was the desire to attain charter status (Nkumba University, 2007). Despite the costing and elaborated indicators, implementers and time frames, the plan does not clearly articulate annual performance targets and achievement expectation. Therefore the first four years of plan implementation did not reflect the link between the strategic plan and the annual budget; neither did they bring out annual assessments.

The strategic plan implementation challenges have been attributed to executive turn over and inadequate participation in strategic plan formulation by the internal constituents. NU has made an attempt to align the resource allocation to the provisions of the strategic plan focus areas the FY 2011/12 (see Table 5.10).

Table 5.10: NU budget 2011/12 Aligned to the Strategic Plan

Strategic focus area	Percent allocation
Strengthening, teaching, research publication and community service	4.16%
Enhancing Human resource management	72.25%
Enhancing the use of ICT	3.10%
Developing and improving physical facilities	4.50%
Diversifying sources of funds and strengthening financial management	5.50%
Involving the world of work and entrepreneurship development	0.13%
Strengthening, networking with other universities and institutions of higher learning	0.18%
Strengthening University leadership and management	3.56%
Others	6.62%
Total	100.00%

Source NU Budget 2011/12

The alignment notwithstanding, the FY 2011/12 budget does not provide specific targets in the various key areas; it therefore does not provide an adequate base for implementation, or performance monitoring and evaluation. It also emerges that the bulk of the resources go towards the human resource function, not from a strategic point of view but from the remuneration and associated staff costs. For this study this generated the need to understand the strategic planning process in the university; who owns the strategic plan and who should drive the implementation process. Figure 5.22 is a representation of the formulation and implementation challenges in NU. While the limited reference to and implementation of the strategic plan has been explained by the absence of planning staff within the University; the fore going questions are still pertinent. And highlight the relevance of the strategic plan within such a framework.

Figure 5.22 Strategic Planning in NU: Formulation and Implementation Challenges

<p>[18:16][16] ----- not for reporting- we just waste so much time on strategic plan we even go there and waste money to develop the SP. And then we don't use it</p>	<p>[23:38][4] ----- there was a beautiful strategic plan which has not been utilized/ followed. But the new thinking is that all efforts are geared towards the review which has been put in place but even before the review we are trying to pick it up to see whether we can link our budget to the strategic plan.</p>	<p>[21:19][18] ----- we have not used the SP for resource mobilization, but we have used it for reporting. It is integrated in the way this office has been on and off. That have disorganized the implementation of the strategic plan. There is only one person in the planning office. the mood have changed one people have seen the relevance of the office.</p>	<p>[25:29][14] ----- We have a planner when I give reports he evaluates them and gives feedback on how far we are in the implementation of the strategic plan. This is a new arrangement which makes us move. When we give reasons for non performance it provides a basis for strategizing. so the planner is key in the day to day operationalisation of the strategic plan.</p>
<p>[18:7][8] ----- we have a strategic plan and send it to fitted in the university strategic plan so it gets lost somewhere. we never follow the strategic plan, why it is made I do not know, maybe you need to ask management. we never follow them, a semester starts, the strategy is to enroll as many students as possible because as a private institution you depend on them for tuition.</p>	<p>[22:8][11] ----- annual performance assessments have not been undertaken. Whereas our strategic plan was well designed with priorities and resources requirements some units have had challenges in implementation even in accessing the resources which will enable them to achieve their plans.</p>	<p>[22:14][15] ----- in our activities it is already integrate, it is part of what we do and how we do things, we regularly look at the indicators to see how far we have gone., for example staff and personally since I was key member of this strategic plan, so I know the content well</p>	

Question: Institutional strategy: What role does the strategic plan have in resource allocation and mobilisation?

In terms of ownership and integration with day to day activities, only one informant who had been part of the strategic plan drafting committee made a clear linkage between what his office does and the provisions of the strategic plan (see Figure 5.22). This not only raises issues of participation in the strategic planning process and its impact on ownership of the tenets espoused but also whether the planning process is adequate and/or relevant within the HE context. Indeed one informant questions the relevance of the strategic plan. At the fundamental level the data questions the validity of the rational approach in the management of higher education.

5.4.1.3 Performance Measurement and Management

Putting into consideration the weak and evolving MIS and communication framework, this section provides a synthesis of the perception of performance at the different hierarchical levels within the University. Asked to elaborate the criteria for establishing the performance of the University, the response from across the management levels was as varied as the number of informants. Performance articulation ranged from attendance of lecturers to research output (See Figure 5.23), to an admission by the executive that

‘Performance indicators are not formally instituted, they are still vague’ (university executive).

The implication is that the University is yet to come up with a uniform mechanism for monitoring and evaluating performance. The advantage with this state is that performance is seen in light of the functionality of the unit in question, academic units outline academic indicators, similarly the administrative units such as the Academic Registrar perceive it from the administrative indicators point of view. The performance indicators as delineated by informants therefore reflect a more recurrent outlook as opposed to the broader strategic viewpoint espoused in the strategic plan. This limits performance to specific activities such as examination deadlines, lecturers’ attendance, course outlines, and enrolment

With this type of set up, two focus areas stand out as inhibitors to PMM in the University. First, performance targets have not been communicated from the centre. Therefore schools do not have established benchmarks against which to measure performance. Second, the centralised resource allocation mechanism adopted does not provide adequate facilitation at the school level for strategic thrusts; thus apart from recurrent activities, there is no performance incentive.

Figure 5.23 : Performance Indicators in NU: Internal Disaggregation and External Validation

<p>[18:6][8] ----- in the school PIs are not used because we are not facilitated</p>	<p>[24:19][9] ----- we have quality assurance that also plays a big role that helps us to monitor.</p>	<p>[17:4][10] ----- Academic performance indicators are determined by the school board. the various members of staff are expected to follow what we have determined, sometime these are not done. my biggest worry is submission of results, and course work, and the several deadlines that are not adhered to</p>	<p>[24:17][9] ----- In terms of performance the usual determine institutional performance info the students are passing well and senate passes the results and students get their. that is an indicator,</p>	<p>[17:5][10] ----- facilities the PIS we look at are the ones that are sent by the NCHE we look at these as fundamental. PIS in the SP exist, my accountability would be to the academic indicators in the strategic plan, for the financial indicators most cases we are not accountable because in any case we do not control our votes. everything is centralized.</p>
<p>[18:4][8] ----- they are in the strategic plan, but do not know whether they are looked at by the bursary or the committee, if there is one.</p>	<p>[25:26][9] ----- it is auditor to give us, we are still weak in this area so it has not permeated to staff. in the academic field they have senate but in finance we are yet to have indicators because we did not have an audit unit.</p>	<p>[23:11][10] ----- results of the students, lecturers syllabus completion. Performance indicators are not formally instituted, they are still vague. performance contracts for staff are not there in the strict sense,</p>	<p>[17:3][10] ----- in terms of teaching we depend on feedback from students if they are not complaining, we also have a central evaluation process, which is supposed to be done semester. The reports are supposed to be analyzed and feedback given we do not get feedback on an official manner, we get feedback from senate meetings, the registrar mentions-</p>	
<p>[24:16][9] ----- Performance Indicators in the strategic plan and they are supposed to relate the budget in the past not very well but we have started.</p>				
<p><i>Question: How would you know that your institution is performing?</i></p>				

The responses indicate that there is neither structure nor mechanism for reporting performance and there is no evidence to indicate continuous reference to the University Strategic Plan, several of the achievements, challenges and setbacks are not adequately documented or captured by the existing reporting system. The University is yet to establish a comprehensive and regular annual reporting framework that captures both the financial and strategic aspects of the University operations. Informants conceded the extra effort needed to catch up with respect to annual audited accounts. Nonetheless, there have been cases of external evaluations through the Inter University Council for East Africa and the NCHE that have generated relevant feedback. These have been flagged as performance reports that also act as a marketing tool for the institution. Indeed, the granting of the Charter by the NCHE was also seen as a strong performance statement at the institutional level.

5.4.1.4 Performance Rewards and Feedback

Within the University system, performance rewards and feedback can be evaluated at two levels, the individual staff level and the unit/faculty level. At the individual level, similar to other universities in this study, NU is yet to develop a performance feedback and reward system outside the normal salary and promotion structure. It is an indicator of the relatively new human resource function within the University that was previously operating under the old fashioned concept of personnel management. Under this arrangement staffs neither have performance contracts nor do they have periodic performance targets. , Figure 5.24.

Figure 5.24: Performance Rewards in NU: Inadequate Articulation

[18:12][11] ----- It is not rewarded, neither do we have effective sanctions, sometimes it is difficult to Operationalise sanctions sometimes you are reluctant, you feel like if you give sanctions what next. So we don't have either	[23:20][14] ----- reward is that you get appreciated which is something. Council make statements if someone has done something special, if it deserves honorarium they pay you and generally facilitating us to do our work the university tries within its limits.	[23:22][14] ----- That humane may not be material but it is there and that is what keeps us going despite our handicaps.	[21:8][13] ----- this is one area that needs attention, for the obvious ones there is promotion, but this is done if there is a position to where the person is being promoted. But generally we have not tapped into the reward area because the staff terms and conditions of service have not brought out that aspect.
[24:7][13] ----- the usual, we have promotion in the academia, we have toyed with the idea of bonuses, but it is still in draft.	[25:28][13] ----- I have not seen performance rewarded, I have only seen reward for performance after people have gone. But for existing ones it is not done.	[23:18][14] ----- They pay me my salary and I go home. Recently a committee was set up to look at emoluments of staff, and it produced a report which was somehow controversial but we are getting to move. One of the things they looked at was bonus, the proposal was the 13th check this was debated and it was agreed that we cannot implement it this year. they wanted more analysis on it.	[18:9][8] ----- There is no system for communicating /feedback on performance for staff, I think we need to develop this
[20:5][13] ----- It does not apply, performance rewards imply ranking, and we do not have such a system. Performance indicators are on an individual basis- but then there are no rewards			

Question: How is performance rewarded?

In the same vein, performance rewards and feedback are not evident at the unit level; this is primarily due to the centralised nature of resource allocation and management, besides a

tenuous communication process. Unit feedback therefore is more evident from the Senate and other academic committee meetings. Nevertheless, possibly because of the size of the University there is a more intimate relationship between management and the academic units. The VC noted that he sometimes attends Faculty Board meetings to get a sense of the academic functioning of the University. Similarly, a non-structured student feedback is used for academic units. For instance, one faculty remarked

In terms of teaching we depend on feedback from students if they are not complaining (University Dean).

Staff recruitment has further been fronted as a key point in improving the FMSs. One participating dean remarked that they have not been following the financial management guidelines. However, he pointed out that the new University Secretary and the new Chair of the Finance Committee of Council had introduced systems that were seen to create a linkage between the strategic plan and the budget. The introduction of a budget conference in FY 2011/12 generated ownership of the resource allocation and distribution process at the University; it also enhanced cohesion and transparency within the University. This is seen to generate the building blocks and capacity for internal accountability still in its infancy at the University.

5.4.2 Financial Performance Management

5.4.2.1 Resource Allocation and Management

Nkumba operates a fully centralised largely incremental resource allocation and budget implementation system. While this is a historic system that provides considerable control at central level in terms of prioritisation, it also generates uncertainty at the academic unit level. Coupled with the inadequate information and a flawed communication system, units do not fully participate in the resource allocation process. Asked how budget priorities are determined one informant said,

The budget priorities would have been determined by the schools if we knew exactly what was coming in and for what vote (University Official).

A budget conference was designed to experiment with a participatory and transparent resource allocation and management system. The efficacy of this is yet to be evaluated although several of the informants lauded it as a system that would enable each school to meet their strategic targets. An attempt has also been made to establish percentage budget allocation in line with the objectives outlined in the Strategic Plan, even if the plan is in the

terminal stage of implementation. Furthermore, the University for the FY2011/12 introduced a vote system which was largely seen as an attempt to eliminate these uncertainties. Similar to all institutions in the study, its efficacy is affected by the tendency to receive resources towards the end of the semester.

There are varied perceptions on the effectiveness of the resource allocation mechanism adopted by the University. While the finance people have a clear understanding and articulation of the basis of allocation, including a thematic focus for each financial year, the faculty deans contend that the finance department stifles participation. This view is also held by some heads of administrative units. For example one head noted the change in culture is regarded as a control threat to the finance department when he illustrates that.

It is mainly because it is a centralised system and the decisions are taken by a few people at the top. Even if the documentation may show that it is decentralised but the operation is different probably because of the way the funds come in. So the cash flow is one of the reasons people advance but in my view I think the mentality of the people, of we are the ones controlling these resources and if you give way for these people to do this it may not be the same (University Official)

The counter argument as elaborated by the Finance Department

Yet for a University wages have the first call. If you do not pay staff you will lose them. So that is the challenge of strategies and getting the priorities right (University Official).

These circumstances do not only undermine the attempt at decentralised resource allocation but also shifts the locus of control from the deans to the finance department which then has to determine the priority depending on resource inflows. The elaboration affirms the absence of performance based resource allocation mechanism. On the other hand it underscores the utility of centralised resource allocation and cross-subsidisation in inequitable institutional settings. The University has two generic resource allocation areas of focus, the academic as opposed to administrative; and the recurrent vis-à-vis development allocations. Comparing two financial years allocation to academic costs was 49% of the total resource in 2009/10 compared to 66% in 2010/11 (see Table 5.11).

Table 5.11: NU Percentage Allocation by focus area 2009/10-2010/11

Year	2010/11		2009/10	
Focus area	Academic	Admin	Academic	Admin
Staff emoluments	26%	11%	20%	9.6%
Staff Development	0.2%	0.3%	0.1%	0.5%
Utilities	-	1%	0.0%	0.7%
Material Supplies	0.3%	0.3%	0.2%	0.3%
Books	0.7%	-	0.4%	-
Research	0.5%	-	0.5%	-
Equipment	0.5%	-	0.2%	-
Furniture	0.9%	0%	0.2%	0.2%
Infrastructure	5.7%	1%	4.9%	0.8%
Vehicles/Transport	-	1%	-	0.3%
Other Academic costs (Specify) Computers	1.3%	-	0.5%	-
Income Tax/overhead costs	25%	18%	19.3%	37.0%
Other students costs	-	2%	-	1.3%
Student welfare	3%	-	2.9%	-
Student's Accommodation	2%	-	0.2%	-
Totals	66%	34%	49.2%	50.8%

Source NU NCHE data submission

5.4.2.2 Resource Mobilisation, Revenue Generation and the Diversified Resource Base

The student payment pattern and the amounts paid are similar to what transpires in other universities. As such, the University has to adopt mechanisms that will keep it afloat. One such mechanism has been to set up a fixed deposit arrangement with maturity periods that enable it to pay staff salaries. Government has made a one off contribution towards the construction of the library. The University has however, not demonstrated adequate capacity to absorb these resources and hence sustain the momentum of resource inflow as is the practice of Government support under such arrangements. This highlights a capacity gap in the potential for resource mobilisation from government and other sources also seen through limited research grants, and utilising the strategic plan as a resource mobilisation tool. There is therefore no common thrust for resource mobilisation as shown by the different informants in Figure 5.25.

Figure 5.25: Resource Mobilisation in NU: Inadequate Diversification of the Resource Base

[36:2][17] ----- No we have only tuition, Fundraising is not something you can rely on.	[36:1][13] ----- Yes, esp. in terms of student numbers, the university depends on money from students, therefore those numbers are the key, since the income you get will depend on the student numbers.	[38:1][16] ----- We do not have external sources and that is our challenge, my take I have been emphasizing that we must diversify, we have loaded this d the DVC we have facilitated him initially with 11 million we want results, we are ready to spend on that.	[38:2][16] ----- We got money for construction of a phase in the library, but we have not fully absorbed it. So we cannot go back to request for more. Our request was 1.3bn but they gave us 500 which we have not finished	[36:3][17] ----- We have a big chunk of land which is idle. We could borrow against it if we had good plans, but now we do not. We have started planting some trees and we wanted a Kampala campus and sell some land and get the campus
[37:1][14] ----- Tuition naturally, functional fees, we have put up a commercial gallery around the main road, if we find that the work is good the students become suppliers to the gallery	[38:3][18] ----- We have not been doing this but this is one of the strategies we have adopted with the appointment of the DVC	Question: What are the internal and external sources of revenue?		

Limited capacity for resource mobilisation outside the conventional sources of revenue cuts across all the institutions in the survey irrespective of whether they are public or private. This capacity would also extend to the potential to write winning proposals for research and other grants from national and international sources. While ineptness at the national level may be an indication of the weakness of the private sector and overall national socio-economic environment to demand services from universities, it is also an indicator of human resource capacity gaps within the HE sector in Uganda. For example, out of the 169 full-time staff recorded in NU only 18 (11%) had PhDs.

On the other hand, efforts to research and other grant support in NU have been frustrated by government policies. For example, the Vice Chancellor noted that government has not provided the relevant framework on how financing from bilateral sources can be channelled to private universities. In this instance, government limits the resource mobilisation potential of private universities.

5.4.2.3 Product Costs and Cross-subsidisation

Similar to other universities, there is a significant level of cross-subsidisation within the University; the School of Business Administration (SBA) constitutes 57% of total enrolment and therefore the largest share of resource inflow to the University. It also has the lowest fees level albeit within a small margin. On the other hand the School of Commercial Industrial Art

and Design (SCIAD) has the lowest enrolment at 317 (4%) and is also seen as the loss making unit of the University although it has the highest fees. It is however, worth noting that the programme tuition fee between the highest and the lowest is marginal at 91% for the undergraduate national programmes and 88% for the international and weekend programmes. The University similar to public universities contends that it is still nurturing these units until such a point when they will break even. Because it has a riding breakeven principle, the larger units subsidise those that do not attain the average breakeven point. That notwithstanding, the University is expanding into the faculty of sciences, which several informants note would overtake SCIAD as the loss-making unit, since the University has neither the infrastructure nor the adequate market for such a programme. This brings out yet another dimension of subsidy within HE, not from a discipline point of view but from the demand and capacity perspective.

The University does not break even because our costing centre does not base on student costs, we are delivering a service a non- profit centre so we cannot break even. We ride on the good will of the BOT who put in their money based on their 10 year development plan (University Official)

Highlighted by informants was the contention that the University has not been able to consolidate the enrolment composition particularly in business education which is the traditional strength of the University and therefore considered as the institutional niche. Further highlighted is the absence of a cost benefit analysis before the introduction of programmes primarily because the University has a weak regulatory framework for new programmes, which are started to meet the varied interests of the initiators.

There is no conscious effort at costing of programmes within the University. The centralised nature of resource allocation and the line item budgeting pools all resources and allocates where there is need. While old programmes maintain the historical fees, attempts have been made to cost new programmes with a provisional requirement for the breakeven point of enrolment. Nonetheless, no efficiency studies have been undertaken although the University policy states that only programmes with an enrolment of more than 10 students will be offered for any given semester. Acknowledged by the Academic Registrar was a blended costing model that focuses on components within the academic programme rather than a comprehensive costing structure that matches the income to the expenditure of a particular programme. This was further confirmed by the financial manager who noted that

We have not been doing costing objectively; if you look at what the student pays and the costing you realise that we have not been doing it objectively. It has been more of a

historical perspective when you look at what the students paid before and the economy.
We have not yet worked out the unit cost. (University Official)

Because it does not operate against a responsibility centre system, support functions such as the library and ICT have no specific budget line but rather share a common financial platform with other administrative units.

5.4.3 Financial Management Structure

5.4.3.1 Financial Management Guidelines and Authority to Spend

While there is no evidence of reference to documented financial guidelines as acknowledged by several informants, there are established norms and traditions that have been communicated and adopted by the University. For example, it is generally agreed that the budgeting cycle starts in October and the Finance department will communicate via a circular; and that for any financial requisitions to be made they have to be endorsed by the University Secretary who confirms through the finance department that the University has resources to cover the specific requisition. The hierarchy of approval provides an insight into the financial management culture of the institution.

Although the University Secretary is positioned as the accounting officer and therefore gives the final approval, the reality of the constrained resource envelope and the intermittent flow of resources, places the authority to spend lies with the finance department since it controls both income and expenditure information. This confirms the contention that financial control is centred around the finance department. Responding to the elaborate where authority to spend is anchored, the University Secretary explained.

Sometimes I wonder whether it is the University Secretary who authorises, for example if you go into procurement, you cannot sit here and say procure this or that, there are committees of Council that support the management arm, and there have been cases where we have been put to task when we bust the budget
(University Secretary)

To a large extent, the University has adopted the authority to spend practices that apply to public Universities. This is in addition to the decision making committee structure that operates within the institution. For the day to day operation of the University, an executive committee comprising mainly administrative heads oversees the functioning of the University. The University has also established periodic executive committee meetings which are solely focused on the financial issues of the University.

5.4.3.2 Accounting Method

NU recognises that the accrual accounting mechanism as the superior form of accounting. It however, acknowledges that the volume of work plus the intermittent resource inflows have resulted into modified cash accounting mechanism of accounting. In addition, assets are expensed at the time of acquisition and depreciation does not feature in the University books of accounts. Facilitated by the centralised resource allocation and management mechanism, the University endeavours to fit within the available resources at institutional level (see Table 5.12). Collectively therefore, the institution breaks even despite the constrained resource envelope. However, there are varied income and expenditure levels when the schools are disaggregated.

Table 5.12: NU Financial Resource Structure 2000/01-2009/10 (US\$ Millions)

Year	00/01	01/02	02/03	03/04	04/05	05/06	06/07	07/08	08/09	09/10
Income	3153	3774	4335	4927	5518	6109	6700	9131	9711	14860
Expenditure	2803	3459	4116	4773	5429	6086	6743			
Surplus/deficit	350	315	219	154	89	23	-43			
Enrolment	1452	2630	3334	3273	3722	4453	4996	4350	4557	5228
Avg. student unit expenditure	1.93	1.32	1.23	1.458	1.459	1.367	1.350			
Average fees per student								2.052	2.052	2.132

Source (Nkumba Strategic Plan and the NCHE data)

5.4.4 Conclusion

Although it is a fully private, secular University, the financial management structure in NU is more inclined towards the practices in public universities. The University has adopted the modified cash accounting mechanism and has a computerised MIS that is still in its embryonic stages. These practices as exhibited have limited inclination to the private sector. With ninety nine percent (99%) of the institutional financial resource generated from tuition, and an intermittent resource inflow, the University is still grappling with the identification of resource diversification avenues. NU operates a centralised resource allocation and management mechanism that is largely line item based and incremental. While the five year Strategic Plan postulates the direction, goals and objectives, the link between the plan and resource allocation is still tenuous.

However, the university FMS can best be evaluated from a summative reflection of the challenges as outlined by the informants in Figure 5.26. These highlight that the University is

still grappling with the basic FM infrastructure. The challenges bring out the human resource perceptions and capacity as a factor, a limited resource envelope, and nascent information systems (see Figure 5.26). At the same time, they show how processes such as reporting and planning have impacted on NU access to financial resources.

Figure 5.26: Financial Management Challenges NU:

[21:31][29] ----- Resource envelope is small, it is a new university with so many demands and one source of income	[22:28][30] ----- human resource capacity in the finance dept is another challenge, until recently when they have recruited some staff,	[37:2][27] ----- it is the attitude of the system. It is being practiced - not acting according to the budget and strategic plan and I do not know whether inside there are people who have their own interests apart from the BOT.	[24:14][29] ----- he biggest challenge is reporting which need to be regular and formalized, the audit function need to be strengthen, the budgeting and auditing is highly resisted, we have been lagging behind in final accounts but now we have moved. And we are behind by only one year. Audited accounts are important because they enable us access loans.	[21:32][29] ----- Internally there is a certain mindset, given the nature of our genesis as a university, the perception of people many of our people need to change perception because some of these have been nurtured here from the beginning, some of them would need some exposure	[22:26][30] ----- one of the challenges is fees collection which goes beyond us, sponsors have their challenges, so they do not pay according to the expectation of the university. they normally pay at the end yet they have been consuming the service,
[17:24][28] ----- The quality, required ratios in terms of com-priorities becomes difficult because you are overwhelmed within that envelope you end up making subjective decisions. then there is a lack of communication by the people managing the resources and yet it is important to communicate the status the problem. once that communication breaks down	[25:2][29] ----- Information we are okay we have the info but we have not used it, this is the second year of ARMS operation but we are using only 30%, it has not been used.	[23:23][15] ----- the plan was made but there were constraints, this office had the US and the assistant secretary and running such an office with thin people on the ground is a big challenge, so there was a HR constraint, therefore you cannot undertake all obligations	[23:37][30] ----- accountability getting value for money, the real strain in managing university resources.	[23:24][15] ----- that is another hurdle because people are used to doing things from the historical perspective.	[37:3][27] ----- they have been using people from secondary school and that is a weakness, when we had the first budget conference it was based on the secondary school mentality.

Source: What would you characterise as challenges to the financial management system of the University?

On the other hand, although the University projects an aura of financial and administrative autonomy, the influence of external bodies such as the NCHE, government and other stakeholders is evident. In the absence of a structured performance management and reporting framework, a situation compounded by inadequate structures for annual performance targets at individual, unit and institutional levels, the University posits a fluid performance reporting and feedback mechanism to both internal and external stakeholders.

6 Discussion

This chapter is a presentation of the interpretation of the research findings; it compares financial management practices in the four institutions that were included in the study. The comparison takes cognisance of and specific reference to the public and private orientation of the Universities. The comparison takes three forms namely: public/public, private/private and public/private. Yet it also looks at the foundation with respect to institutions that were founded as universities and those that evolved from other tertiary institutions. The chapter responds to the two research questions. Section 6.1 focuses on research question one, *How integrated are the FMSs of public and private universities in Uganda?* Section 6.2 concentrates on research question two from an institutional perspective, *what external and internal factors explain the differences in financial management practices in public and private universities in Uganda?* The initial discussion however, emphasises MIS as the foundation for integrated financial management. The discussion underscores the trajectory underlying the establishment of MIS in institutions; their operationalisation and how they have been used for decision-making. The third research question on lessons to improve the practice of financial management in HE institutions in Uganda is presented together with the final chapter (7) capturing conclusions and recommendations.

6.1 Integrated Financial Management Systems

In response to research question one, the discussion in this section focuses on integration as a construct in financial management. The discussion is based on the Oxford Advanced Learners Dictionary (2010) definition of integration as ‘different parts are connected and work closely together’; and Pollitt (2001) assertion that the level of integration will vary according to the different financial and performance components being integrated. On the other hand, the Otley (1999); and Malmi & Brown (2008) claim that viable patterns of behaviour are discerned from the MIS adopted and maintained by institutions underscores the literature assertion that MIS provide the building block for integrated financial management. Section 6.1.1 highlights the genesis, the driving forces and linkages of the MIS within the financial management framework. Sections 6.1.2 and 6.1.3 underscore the application of rational approaches in the management of HEIs in the study.

6.1.1 Management Information Systems in HEIs

None of the universities in the study reported here had a comprehensive MIS that was fully utilised for financial and strategic decision-making. What transpires is fragmented information management with the different components spread across various units within the institutions. Irrespective of the public or private orientation of the universities, three key issues arise from the status of MIS in the institutions:

- First, the utility of the information system in the management structure since the core functions of the Universities continue despite the MIS deficiencies highlighted.
- Second, the motivation for the development of the systems highlights a tension between the internal mechanisms that would embrace a detailed needs assessment and requirement specification; and the external environment which largely derives from the need for legitimisation; and
- Third, deriving from the shortcomings highlighted in the first and second issues is the inadequate operationalisation and utilisation once the systems are in place.

Bisaso (2011) highlights that in addition to internal conflicts that arise out of deficient requirement specification, inadequacy of operationalization and utilisation is a function of the inadequate technical capacity of the staff involved. In 3 out of the 4 cases, the MIS has been vested in the finance department. This skews the focus to financial information despite the utility requirements of the other units within the universities. At the same time, it brings out the acknowledgement within the HE sector in Uganda that the articulation and functionality of an MIS would largely influence the FMSs of the institutions (Visitation Committee, 2007).

Comparison between the two public institutions reveals different pathways for MIS development. While in Mak the system was largely a response to the changes in the institutional environment including the increase in student numbers and an attempt at decentralised resource allocation and decision-making (Bisaso, 2011); it was also anchored in the University Strategic Plan (Makerere University, 2000; Musisi & Muwanga, 2003). For KYU, it has been presented as the need to manage student information from the point of admission to the point of graduation as much as it is a reaction to the aspiration to keep abreast with the technological age and gain acceptance in the higher education sphere.

For Nkumba University (NU) a private university just as it is with KYU, the external stimulus is fundamental to the character of the adopted information system. The continuous information

requests by the NCHE as stipulated in the 2006 University Charter, has generated the need to develop databases to ease access to institutional information, just as the need for reliable information sharing between the Academic Registrar's office and the Finance Department provides the additional motivation. To this end therefore, institutional research stands out as a major incentive for the development of the systems. Similarly, for IUIU the motivation for the establishment of the system is the ability to provide accurate financial information on students and other institutional activities. The capacity to link the Bursary with the academic units provides a basis for determining resource inflows and allocations.

The above provisions notwithstanding, the absence of a systematic process for meaningful data capture and information retrieval limits the effectiveness of MIS in institutional decision making. Furthermore, since it has been argued that the primary indicator for integrated financial management in organisations is the MIS operated by the organisation (Mayne, 2007; Pollitt, 2001); the embryonic and fragmented MIS in all the institutions in the current study provide an insight in the integration status of the FMSs of these universities. The following sections provide a discussion on integration based on the interface between the financial and strategic intents of the institutions as underscored by the Pollitt (2001) typology. Beginning with *strategy, mission and targets* the sections demonstrate the extent of linkage between the financial and strategic components of the universities.

6.1.2 Strategy, Mission and Targets

Strategy is a key feature in the discussion of performance of organisations (Kaplan & Norton, 1996; Otley, 1999). The relationship between strategic objectives and resource allocation is one of the key variables for effective integration (Pollitt, 2001). Although there could be pockets of application within the institutions, there is no concrete evidence to suggest that strategy application and objective setting in HEIs in Uganda has had a significant impact on the overall operations of the institutions. Figure 6.1 gives a comparative snapshot of the strategic thrust and status of universities in the study. It presents the status of the different universities with respect to strategy formulation, ownership and implementation. It further highlights the role of strategy in resource allocation, management and mobilisation as tenets of integration.

From the strategy perspective, the comparison in Figure 6.1 illustrates that both interface (A) and (E) (see Figure 4.2) have not been attained. Explanations for this may be within a broader framework where strategic planning has been presented as constricting (Mintzberg, 1994);

and characterised not only as a ‘management fad’ but also as an inhibitor to innovation and the free flow of initiative within HE (Birnbaum, 2001).

Figure 6.1: Strategy as it Applies to the Four Case Studies

	Variable	Makerere University	Kyambogo University	Nkumba University	Islamic University in Uganda
Characteristics	Ownership	Three cycles of strategic planning Limited ownership of plan,	One strategic planning cycle Not disseminated/ Invalid	One strategic planning cycle Not disseminated- limited ownership	One strategic planning cycle Limited ownership of plan
		Selective articulation	Not articulated to new management	Articulation linked to formulation participation	Executive articulation
	Implementation Structures	Implementation structures not disseminated	No Implementation Structures	Inadequate implementation structures	Varied Business Plan development process for plan implementation
Integration	Resource allocation & Management	Plan not linked to resource allocation	Not used in resource allocation,	Initial utilisation in resource allocation	Plan not linked to resource allocation
	Resource Mobilisation	Selective use in resource mobilisation	Not used for resource mobilisation	Not used for resource mobilisation	Not used for resource mobilisation

The strategic planning culture in the Ugandan universities still maintains the historic outlook that point to a ‘routinised’ process characteristic of a stable financial environment (Shattock, 2003). The plans have not influenced how the institutions operate and they largely remain as archival documents that are extracted when external and internal circumstances demand. Apart from Mak where there are fragments of resource mobilisation from bilateral support and a selective annual reporting based on the strategic plan, for the other universities the plans have neither been used for resource allocation, nor for resource mobilisation. Yet ownership, even in Mak, is not complete. Implementation remains largely sparse and limited to either the key participants in the formulation of the plan as is the case for NU or it is selectively applied as is the case for UIIU and Mak or completely ignored as exhibited in KYU.

Considered differently, the national socio economic conditions, regulatory restrictions and limited differentiation present a context that does not strictly fit within a competitive structure necessary for effective strategic planning as advocated by Shattock (2003). The four cases in this study reveal that strategic articulation at the executive level is more embracing than it is at the middle management or academic unit level. Ownership of the strategic plan stands out as a key tension in all the four institutions. While this can be explained by inadequately developed

and /or non-existent strategic plan monitoring and evaluation frameworks, it also highlights the shortcomings of application of a strategic planning dictum within a HE setting (Birnbaum, 2001). It underscores the limitations of the application of decision management tools such as the Balanced Score Card; and further sets boundaries in the application of rational management models or the Jarzabkowski (2002) centralised as opposed to decentralised financial management setting.

The challenges outlined in strategic plan formulation, implementation and evaluation inform the status of performance measurement in the institutions. As outlined in the section below, the universities are yet to adopt PMM as one of the NPM rational approaches to 21st century management (Groot, 1999; Hood, 1995).

6.1.3 Performance Measurement and Management

The performance measurement systems in all the four universities are yet to be adequately articulated. The Strategic Plan performance indicators have neither informed performance evaluation, nor have they influenced performance reporting, rewards and feedback. Since the concept of goal direction from the strategic plan is not applicable, implicit process oriented performance indicators emerge (Modell, 2003). For the universities in Uganda, these indicators include student numbers and feedback, financial resources, teaching as a process, and the number of research grants.

In all the four case studies, understanding performance not only varies according to hierarchy within the institution but is also dependent on the diversity of the constituents, their dominance and the level of conflict between their interests which resonates with what Brignall & Modell (2000) explicate. At the institutional level, the variables that define the understanding of performance for the executives vary from the performance espoused by the middle managers. Whereas the executives bring out a broader institutional outlook, the middle managers consider performance from a discipline and unit specific perspective. This may highlight the concept of loose coupling within a HE framework that has been enhanced by the decentralised resource allocation variant adopted by the public universities. At the same time, it brings out a fragile performance management system that does not provide for comprehensive assessment of both the financial and non-financial performance as discussed by Ittner & Larcker (2003).

From the financial perspective, performance is restricted to the level of resources generated within a specific financial year. For public universities, financial performance translates into the percentage share of resources generated from fee paying students and research grants, it also manifests as the basis for decentralised resource allocation in these universities. Because they operate a centralised system, private universities financial performance on the other hand is seen in the totality of the resource envelope and the ability to remain afloat under the *going concern* accounting principle. This demonstrates the interface limits between performance and resources allocation as well as performance and accounting method interface (B) and (J), (see Figure 4.2). The differences and similarities of the PMM practices of the cases are captured in Figure 6.2. While the public universities have documented performance indicators, the private universities do not have. None of the universities has annual performance targets, and only IUIU has some form of individual performance review.

Figure 6.2: Performance Systems in Public and Private Universities

	Makerere University	Kyambogo University	Nkumba University	Islamic University in Uganda
Performance defined	Institutional performance Indicators listed in strategic plan	Institutional performance Indicators listed in strategic plan	Institutional Performance Indicators not documented	Institutional performance indicators not documented
	Annual performance targets not defined	Annual performance targets not defined	Annual performance targets not defined	Annual performance targets defined at institutional level
	Varied understanding of performance	Varied understanding of performance	Varied understanding of performance	Varied understanding of performance
	Individual performance rewards limited to research based promotions	Individual performance rewards limited to research based promotions	Criteria for Individual performance not defined - rewards administratively defined	Under developed individual performance review criteria-
Performance Reporting	No annual individual assessment and feedback	No annual individual assessment and feedback	No annual individual assessment and feedback	Individual annual performance reviews as a basis for contract renewal
	Selective annual institutional reporting- published	Selective annual institutional reporting- drafted	No Annual report	Selective annual reporting as part of Rector's address not published
	Periodic financial reports to government and other resource providers	Periodic financial reports to government	Periodic financial reports to Council	Annual financial performance report to Council
	Financial report independent of annual report	Financial report independent of annual report	Financial report independent of annual report	Financial report integrated with annual report
	Financial performance emphasised at unit level	Financial performance emphasised at unit level	Financial performance highlighted at institutional level	Financial performance highlighted at both unit and institutional levels
	Project based Performance reporting used for resource mobilisation (research grants & external support)	Performance reporting not used for resource mobilisation	Performance reporting not used for resource mobilisation	Project based Performance reporting used for resource mobilisation OIC and other agencies

For both Mak and KYU, Government ministries stand out as key stakeholders that require performance reporting irrespective of whether it is captured in the strategic plan or not. This has however, not impacted on resource allocation, thus limiting the application of interface (D) (see Figure 4.2). Public institutions performance documentation can further be seen from the multiplicity of studies undertaken at national level. Examples of these include the visitation committee (2007); the Public Universities Unit Costs Study (2010); and the Value for Money Audit in public Universities (2012). Although not target based, these studies outline performance parameters for the different institutions, which are also comparative in nature. The studies underscore exogenously determined performance evaluation, which is comparative to both the NCHE studies that define the private universities charter granting process and the performance reviews sent to the OIC by IUIU. The reports have been used as a point of reference for process change within the universities. The challenge with the externally initiated system is that it creates a segmented performance and management system at the institutional, the unit and individual staff member levels. A further drawback to such evaluations is that few people both in the internal and external domain apart from those directly involved have access to the reports or the opportunity for interpretation and analysis.

The budgeting and reporting timelines are also not conducive to meaningful performance reporting. The budgeting process for the subsequent financial year begins in October and is expected to be concluded by March. Practice however, is characterised by a process that drags on until June when the budget is presented before Parliament. This implies that public institutions take a minimum of eight months on the annual budgeting process. Since the fiscal year begins in July, performance reporting captured in the budget in October is only three months for a given fiscal year. This scenario has three main drawbacks: first, the reporting time of three months cannot have effective annual performance comparators, it will therefore be limited to the financial performance; second, it has generated budgeting fatigue within the institutions and an impression that budgeting is a continuous process and therefore not taken seriously by the institutional participants; and third, it does not give adequate lead time for institutional learning and implementation before the next budgeting cycle begins, it therefore makes budget monitoring and performance reporting insubstantial and fragmented.

On the other hand, similar to both IUIU and NU, the NCHE as regulatory body has an oversight role in evaluating performance. Government purview in both the public and private institutions further manifests in its representation on the governing bodies of the Universities.

Although not explicit to performance, this representation is a form of accountability/ performance measure largely because whether public or private, HE is considered as a public good with both government and the general community having vested interests (Kasozi, 2009).

For all institutions in the study, students are recognised as primary stakeholders, yet they also provide an input into the University education process. Under such an arrangement performance measurement becomes intertwined with the production process; a deviation from the 'customer' quadrant championed by the Kaplan & Norton (1996) BSC. It also confirms a process oriented PM as opposed to a goal directed PM (Modell, 2003). These circumstances breed an emergent PMS perceived and defined at the unit level that is more acceptable to internal constituents. They neutralise the absence of institutional performance indicators that arise from strategic plan ownership challenges and are also a reflection of the level of autonomy at the micro unit level. To a certain extent, they also embed individual performance in an environment where individual performance targets have not been defined, a characteristic of both public and private universities in this study. However, when performance indicators identification and application is not consistent, the indicators adopted lose validity and reliability (Ittner & Larcker, 2003); and the link between strategic and financial management will stay tenuous.

6.1.4 Resource Allocation and Performance Monitoring

Performance Measurement and Management cannot be considered independent of rewards and feedback. Within a financial management framework rewards and feedback which go hand in hand with performance reporting would manifest through resource allocation. Interfaces (B) and (C) (see Figure 4.2) highlight the link between resource allocation and performance rewards & feedback. For the public universities, this manifests in two formats: First, retention of a percentage of resources generated at the unit level; the operational structure is modelled against the responsibility centre discourse with minimal interference from the centre once budgets are approved. Second, performance reward is embedded in the research publications based academic staff promotion. Whereas the percentage share of internally generated revenue is documented, there is no deliberate policy communication with respect to staff performance driven resource allocation, both in the public and private institutions.

Figure 6.3 gives a comparative status of resource allocation practices in the four universities. It highlights that all universities employ a cocktail of resource allocation mechanism. While the linkage to performance can only be discerned in the public universities, none of the universities has been able to relate resource allocation to the strategic plan; interface (A) (see Figure 4.2).

Figure 6.3: Resource Allocation Models Applied in HEIs

	Makerere University	Kyambogo University	Nkumba University	Islamic University in Uganda
Model	Hybrid of centralised and decentralised management	Hybrid of centralised and decentralised management	Centralised	Centralised
	Line item/ incremental	Line item/ incremental	Line item/ incremental	Line item/ incremental
	Inadequate communication of basis	Inadequate communication of basis	Inadequate communication of basis	Inadequate communication of basis
Integration	Revenue Responsibility Budgeting	Revenue Responsibility Budgeting		
	Performance based stratified by source	Performance based stratified by activity and source		
	Not aligned to strategic plan	Not aligned to strategic plan	Not aligned to strategic plan	Not aligned to strategic plan
	Inadequate performance monitoring, Reports not linked to resource allocation	Inadequate performance monitoring, Reports not linked to resource allocation	Inadequate performance monitoring, Reports not linked to resource allocation	Inadequate performance monitoring, Reports selectively linked to resource allocation

From the functional view point, the research grants in Mak can be categorised under performance based allocation. These can be as high as 69% of the total available resource in the College of Health Sciences compared to 0% in the College of Education (see Table 5.2). Access to such resources is largely dependent on the initiative of the staff involved, and continued sustenance will depend on the delivery against the performance indicators outlined in the project documents. These reports would demonstrate interface (F) which combines performance with resource mobilisation as much as it would be an embodiment of interface (G) which combines resource mobilisation with rewards and feedback (see Figure 4.2).

The attendant environment characterises a variant of performance based access to resources. Yet it also underscores resource fragmentation based on the source of funding. Furthermore, the grants are not reflected in the final accounts, neither are they part of the resource projections of public Universities. The situation thus highlights the limitations that the central administration has in the control over resources. This could be classified as a manifestation of the Principal- Agent Theory as advanced by Lane & Kivisto (2008). Because the research

output from these grants is used for performance reporting by both the unit and the University. In such cases the Principal-Agent bias is skewed towards outcome based as opposed to behaviour monitoring (Lane & Kivisto, 2008).

Applying a decentralised collection and centralised resources management in KYU provides a transparent but inflexible system for both the centre and the units. Units remain with substantial unutilised resources at the end of the financial year, which the centre cannot access even when they have deficits for central activities. Under such circumstances, the need to re-evaluate the resource sharing policy to generate internal financial cohesion cannot be underestimated. For Mak on the other hand, there is a central collection of fees which are then transferred to the units based on agreed percentages. This has been a source of tension between the centre and the units particularly in an environment with under developed communication and information systems to provide reliable data. It is also an embodiment of resource fragmentation in the institution, generating mandate and disciplinary conflict as well as discontent between and within the different units (Mamdani, 2007; Massy, 2004; Visitation Committee, 2007). Furthermore, it generates inequity between the units since allocation does not take into consideration the peculiar requirements of units and confirms the mission vis-à-vis resource tension put forward by (Zemsky, et al., 2005). At the same time it has generated a conception of 'wet' and 'dry' faculties²⁰, in Mak which is also evident in KYU.

The periodic reduction of the percentage share remaining at the unit level has further aggravated the situation. As the percentage share of resources remaining at the unit level diminish, the motivation to generate resources declines, more so when the centre has not held the units accountable for both financial and strategic performance. From this perspective, the advantages of centralisation and the contention that resource allocation is a management tool that could be used for compliance and control within the organisation is viable (Jarzabkowski, 2002). This capacity is more evident in the private universities which operate a centralised resource allocation mechanism. The degree of centralisation reflects the scope of cross-subsidisation where resources are pooled and rearranged to meet institutional requirements more evident in the private universities. While the hybrid de/centralised model in public universities generates both surpluses and deficits in one financial year.

²⁰ Wet faculties have more fee paying student and generate more revenue; dry faculties predominantly science based have limited internally generated revenue

De/centralised resource allocation notwithstanding, all universities in the study still apply the traditional line item incremental resource allocation in one form or another (see Figure 6.3). This ranges from the chart of accounts as prescribed in the national systems for public universities, to an instrument of maintaining stability within a constrained resource envelope for the private universities but also applicable to public institutions.

In terms of focus none of the institutions follow the provisions of their strategic plans in their entirety. At the same time, ownership of resource allocation priorities between the middle managers and the executive is almost non-existent. While institutional factors such as age, size location and overall financial condition affect allocation (Lasher & Sullivan, 2004), for the Universities in this study it is aggravated by the inadequate financial management communication between the centre and the units. Financial information has not been packaged to target internal stakeholders yet access to the reports generated for external stakeholders particularly resource providers has neither immediate nor adequate synthesis for internal use. At the same time, although access to available reports would have been public, not many staff and students in the University are privy to this fact. While this is historical and predates the fee paying students' dispensation in the public universities, it brings out the nature and rate of institutional response to changes in the internal and external environments.

As a practice, it eliminates the possibility of both a complete organisational feedback loop and the foundation for institutional learning and improvement (Kaplan & Cooper, 1998). Private universities however, have devised a regular mechanism of interface between the executive and the students, there is also some form of communication between the University and benefactors through the end of semester circulars given to students; this level of communication is yet to permeate the executive-staff sphere.

6.1.5 Resource Mobilisation and Product Costs

Within HE a comprehensive review of resource allocation cannot be delinked from costing. This is primarily due to the conception of cross-subsidisation that moves simultaneously with resource allocation. Although both public and private universities in this study do not have a comprehensive costing system, cross-subsidy has relevant application in the operations of the Universities. It comes out as result of internal differentiation, with respect to levels, that is, graduate and undergraduate which also denoted teaching as opposed to research (Santos, 2007). Other factors underpinning cross-subsidy include discipline; science vis-à-vis

humanities or liberal arts vis-à-vis business studies. In addition, overhead /service costs such as ICT and the library are a constituent component of the HE machinery and a distribution criterion across the units has to be devised (Lewis & Pendlebury, 2002). The rationale for cross-subsidy ranges from the need to meet the institutional objectives (Zemsky, et al., 2005) to external influence for example, in terms of national focus.

In the Ugandan case, focus on science and technology at the national level has been a key driver for cross-subsidisation. These 'courses deemed necessary for national development' are espoused by both the Strategic Plan for Higher Education and the National Development Plan (Government of Uganda, 2010). This cross-subsidy has more relevance to public universities majorly because of the range of programmes offered and the government subvention that has targeted specific disciplines. Apart from discipline, cross-subsidy uniquely in the public universities in Uganda cuts across state sponsored and fee paying students (Makerere University, 2004). The strength of this argument derives from comparison of the fees paid by the private students and the number of government students vis-à-vis the government subvention. Despite the contention that private resources are seen to provide the expenditure flexibility, recent developments reveal that, although inflexible, the flow of government resources is more predictable than the intermittent private resource.

The discussion on costs in HEIs in Uganda, bring out the interplay between state and market control of the tuition and related fees that have a remote relationship to the cost of delivering the programmes. State control manifests through caveats placed on tuition increases in the public universities, citing the socio-economic and political environment. This is despite the number of studies commissioned at national level to establish the unit cost of delivering academic programmes in the respective universities (see for example, AH Consulting (2010); Makerere Institute of Social Research (2003)). Market control in the private universities on the other hand, directly derives from the state control of the public universities. From a comparative demand perspective, the fees set in the public universities dictate the fees for the private universities since the programmes offered in the sector are similar and as rational consumers students will gravitate towards those institutions with lower fees; more so when the public universities have both the history and the state backing.

Apart from fees, costs in HE cut across the administrative and academic divide. It has been argued that the HE trend is moving towards a higher administrative cost structure particularly after *marketisation* was introduced in the academe; and the introduction of new administrative

structures such as resource mobilisation, sports services and health services (Bok, 2003; Leslie & Rhoades, 1995). Whereas previously academic staff undertook some administrative functions, there is an increasing movement towards division of labour between the academic and administrative staff (Birnbaum, 2001). While there is evidence to show that some of these structures have been adopted in both private and public universities in Uganda, the spectrum is wider for the public universities; which could be as a result of higher enrolment levels. For example, all institutions have a health service unit and sports facilities, but only KYU and Mak have a guidance and counselling centre, and only Mak has in its structure a resource mobilisation unit.

For both Public and Private Universities in this study the academic component takes a slightly higher percentage share of the resources. Table 6.1 gives a comparative snapshot of the academic and administrative allocations in the universities in two financial years. From the table it can be seen that the allocation difference between public and private universities in terms of academic and administrative categorisation is minimal. The presentation in table 6.1 however, has limitations since there is a lack of standardisation for what constitutes academic or administrative costs across the different universities in the study.

Table 6.1: Administrative and Academic Share of Resources FY 2009/10-2010/11

Year	Mak*		Kyambogo University		NU**		Islamic University in Uganda***	
	Admin	Academic	Admin	Academic	Admin	Academic	Admin	Academic
2010/11	29%	63%	48%	48%	34%	66%	35%	42%
2009/10	34%	61%	43%	52%	49.2%	50.8%	36%	43%

Source: Final accounts-

*Halls of residence are not included in the computation

**NCHE data for NU used

*** Capital development not included

In practice, whereas the private universities have a clear demarcation of what constitutes the administrative component in their final accounts, for the public universities this perspective is only captured in their parallel budgets as required by the Ministry of Finance, Planning and Economic Development Output Budgeting Tool. For both public and private universities the activity base is not well articulated and therefore teaching, research or service costs such as the library or ICT cannot be easily synthesised or distributed across the different academic programmes by examining institutional financial reports or budgets.

All universities, apart from NU have attempted to develop commercial units, but the potential for these to contribute to the financing of the academic or administrative functions of the universities is yet to be exploited. On the other hand, the autonomy to generate interest in public universities is curtailed by national financial regulations just as much as the capacity of private universities to mobilise resources from bilateral donors is affected by unclear government policies. This combined with a weak private sector to facilitate research grants as well as limited staff capacity and skills to recognise resource mobilisation opportunities at both national and international levels has impacted on the prospect for diversified institutional financing.

From the discussions above what emerges is that product costs cannot be associated with strategy & mission; interface (E) neither have they been associated with performance measurement Interface (F). At the same time, the national regulations impact on interface (G) (See Figure 4, 2).

6.1.6 Financial Management Structure

The financial management structure operates as facilitator for integrated financial management. It underlines the processes that enable the institution to function by bringing together different elements in the organisation. These structures together with the MIS (see section 6.1.1) provide the link between the internal and external stakeholders. They also act as the foundation for internal and external accountability that is increasingly defining the non-profit service sector. Governance emerged as one of the key issues in this study: first, because it is a descriptor of the foundations of the universities and the funding mechanisms they have adopted; second, Council as the governing body defines both autonomy and external accountability; and third, the tensions in the financial management structure in public universities are defined by the governance structure.

6.1.6.1 Accounting Method and Performance Reporting

Interface (L) in Table 4.2 links the accounting method to performance reporting. Operating within a national accounting framework, public universities operate a modified cash accounting mechanism. This implies that whereas expenditures are accrued, revenues are recorded as and when they are received. For the private universities which operate the accrual accounting method, assets are recorded in the final accounts and depreciation has been factored in the books of account. On the other hand, public universities assets are

depreciated 100% in the year of acquisition. Furthermore, where land and buildings are recorded as assets in the private universities final accounts, they are not valued and do not contribute to the institutions net worth in public universities. As such, the figures projected in the books of accounts do not give a true reflection of the financial position of these universities. Figure 6.4 gives a comparative overview of the financial management practices in the four universities.

Although Figure 6.4 compares accounting practices, the accounting method adopted affects the comparability of the financial systems of the four universities. The modified cash and accrual methods adopted by the institutions are compounded by variable depreciation practices that distort the net worth and capacity for financial performance comparability.

Figure 6.4 Accounting Systems Adopted by the Universities

	Makerere University	Kyambogo University	Nkumba University	Islamic University in Uganda
GAAP	Modified cash accounting	Modified cash accounting	Accrual accounting method	Accrual accounting method
	Aligned to the government public sector accounting	Aligned to the government public sector accounting		Independent
Depreciation	Assets depreciated 100% in year of acquisition	Assets depreciated 100% in year of acquisition	Depreciation factored in books of accounts	Depreciation at 20% for assets 5% depreciation for buildings 12.5% depreciation for computers
	Asset valuation not reflected in books of accounts	Asset valuation not reflected in books of accounts	Current and fixed assets recorded in books of accounts	Land Building and other fixed assets reflected in books of accounts Current assets recorded with modifications
Final Accounts	Final accounts cash based	Final accounts cash based		Final accounts cash based
	Incomes cash based	Income and expenditures cash based		
	Expenditures accrued	Expenditures accrued		
Receivables	Going concern not articulated	Going concern articulated	Going concern articulated	Going concern articulated
	Students not recorded as debtors	Students not recorded as debtors		Students recorded as debtors
	No invoicing of students	No invoicing of students	No invoicing of students	No invoicing of students
	No mechanism for tracking defaulters			Refined mechanism for fee collection

*Reflections on Nkumba were synthesised from interview transcripts, final accounts were not available to assess validity of claims

Private universities have in their financing portfolio, acquired loans from commercial and development banks. Banks have stringent conditions, where borrowing parties have to exhibit prudent and meticulous book keeping in addition to demonstrating their credit worthiness. This encumbrance does not affect public universities where any attempts at loan acquisition come in as a grant and/or a guarantee by government. On the other hand, operating within a small economy and a relatively underdeveloped private sector, public universities operate comparatively large budgets and although not documented in the final accounts they have a large asset base in terms of land; and these would provide a level of security in the access to credit. Credence to this further manifests in the statements made by the respective finance department staff. Private universities highlighted the concept of going concern, as an overriding principle in financial management; this did not feature in the public universities' transcripts.

6.1.6.2 Governance, Internal and External Accountability

In line with the UOTIA, all universities public and private are governed by the equivalent of a University Council. And in all cases government is represented on these governing bodies. While government involvement is by choice in the private universities, for the public universities, Council membership is stipulated by the Act just as much as the financial management structure is outlined. The exception to the government representation on Council for the private universities is IUIU which was established by an Act of Parliament and thus operates under a semi-public status. Underlying the government representation is the issue of autonomy and the influence government has on the decisions made at policy level in both public and private institutions. While it can be considered in a regulatory context for the private universities, it has been used as a platform for external accountability, performance reporting as well as information dissemination and resource mobilisation from government in these institutions.

For the public universities, the UOTIA gives a contradictory financial management structure that generates conflict as well as inhibiting effective financial control and reporting. The Vice Chancellor is chief executive officer 'responsible for academic, administrative and financial affairs of the University' (Government of Uganda, 2001). On the other hand, the University Secretary (US) as Secretary to Council is responsible for custody of the University Seal and assets. With respect to financial matters therefore, the US has the supreme authority within the University. Yet even the US does not have a firm grasp on the financial affairs of the University since the day to day financial matters are handled by the University Bursar. This distribution of

executive power has implications for financial management: first, it muddles up the accountability and reporting hierarchy; second, it minimises the role of the Vice Chancellor in the financial affairs of the University. This undermines his/her capacity to have a comprehensive overview of the operations of the University especially when the relevant internal information gathering/reporting structures have not been established. It also undercuts the development of a strengthened steering core as articulated by Clark (2007); third, it generates conflict between the executives; and fourth, it creates a fragmented reporting framework that affects the quality of information provided to the governing body that may inhibit organisational coherence. These shortcomings notwithstanding, the universities operate under the committee structure and it has been argued that this fosters collective responsibility thereby protecting the collegial decision support systems.

Although private, NU adopted the same financial management structure as the public universities. But unlike the public universities, the management reporting structures in the University ensure that the Vice Chancellor has a more general overview of the financial and non-financial issues affecting the University; a factor that is largely because the University depends on constant financial monitoring for survival. For UIIU on the other hand, the Rector equivalent to the VC takes up the responsibility of academic, administrative and financial affairs of the University. As Secretary to Council, the Rector presents the annual performance report and the budget for the subsequent year on an annual basis. This combined with a centralised resource allocation and management structure provides a strengthened steering core 'that is important for reconciling new managerial values with the traditional ones' (Clark, 2007, 6).

6.1.7 Conclusion

What emerges from the discussion is that none of the institutions in the study has been able to attain a significant level of financial integration. This is irrespective of whether it is considered from the perspective of Pollitt (2001) where financial management is mutually interlinked with performance management, or considered within a reporting framework that utilises fully linked databases to generate a financial reporting system that can meet the reporting requirements of all stakeholders; stage IV of the Kaplan & Cooper (1998) model. The limited reference to the strategic plan and the inability to have structured performance management systems has substantial impact on the level of financial integration in the institutions. In all the cases FMSs are still fragmented, characterised by inadequate data quality, communication

difficulties, insufficient costing mechanisms and limited operational and strategic control. These demonstrate isomorphic tendencies in both public and private universities.

On the other hand, there is a varied understanding of the financial and strategic space by the executives and the middle managers. This lack of a shared understanding of the financial status of the university particularly in a resource constrained environment generates tension and embodies the integration limitations. Yet it manifests differently in the public and private universities. For the public universities it brings out an external reporting framework that is acceptable to the external constituents, yet it does not truly reflect the operations of the University. This manifests in decentralised resource mobilisation and allocation, accounting principles that do not reflect assets and depreciation as well as a deficient performance management regime. For the private universities, it manifests in a semblance of transparency in resource mobilisation, although the narrowly conceived performance management regime, as well as constraints to resource allocation and prioritisation remain a major drawback to integration.

6.2 Factors Influencing Financial Management

The factors influencing financial management in the public and private universities in Uganda can be categorised as follows; first institutional factors that directly derive from the management set up of the University; second, national factors, which are derived from the regulatory framework imposed on the institutions and third, market factors that have come up as a result of the liberalised HE sector. Davis & Marquis (2005) argue that the environment shapes activities of the organisation and that institutional stability and social behaviour are created by cognitive, normative and regulatory structures. While the institutional factors underscore the practices and capacities to respond to internal and external environment, the national regulatory factors would be characterised as similar in both public and private universities. Market based factors on the other hand highlight both the competitive and isomorphic tendencies in the HE sector. In response to the research question; *what external and internal factors explain the differences in financial management practices in public and private universities in Uganda?*, this section expounds on the institutional regulatory and market factors as they influence FMS in HEIs in Uganda.

6.2.1 Institutional Factors Influencing Financial Management

Several scholars have articulated institutional factors that can influence financial management in both public and private universities. These range from overall financial condition, age and location (Lasher & Sullivan, 2004; Shattock, 2003) to governance structure and size (McNay, 2002) to Organisational development and its impact to human resource capacity (Torraco & Hoover, 2005). These factors as presented have direct application to the public and private universities in this study.

a) Overall Financial Condition

The cases show that the overall financial condition dictates the adoption of a centralised or decentralised resource allocation and management model. For IUIU and NU it dictates an overall centralised allocation that will ensure an equitable distribution across units and guarantee institutional survival. Centralised allocation provides for components that are important for the institution but do not necessarily fall under a particular unit. This is a key factor especially in the absence of a rational and solid costing system; centralised allocation therefore facilitates cross-subsidisation and cost control (Jarzabkowski, 2002). Similarly, for both Mak and KYU the adoption of a hybrid between centralised and decentralised allocation is dictated by the financial condition. For the public universities, the centralised component provides the equity buffer in an environment where the market has provided inequitable resource endowment across units.

b) Human Resource as a financial management factor

Human resources capacity is another institutional factor in three perspectives: first, the inadequacy of the technical capability to manipulate information systems to generate reports that would be utilised for decision-making. Second, academic staff capacity to generate revenue from the non-conventional third stream income from research and consultancy proposals; Inter and intra institutional financing differences emerge as a result of capacity to respond to calls for proposals. This reflects the academic and research strength of specific units and/or individuals; a factor more evident within Mak although it manifests in other universities as well. Third, is financial literacy spread across the institution, this brings out the concept of guidelines in addition to availability and ability to interpret financial information. Inadequate articulation in both cases not only generates tension between the centre and the units but also impacts on resource generation and utilisation.

c) *Governance and its influence on financial management*

From another perspective, there are two strands of governance factors influencing financial management at institutional level. First, as highlighted by the UOTIA, there is confusion within the reporting structures that generates a fragmented reporting framework among the executives but also between the executives and the governing body. Second, is the level of involvement of the governing body in the internal management structures of the organisation, this may be seen to compromise accountability between the executives and the governing body. Involvement ranges from a continued presence in all structures as exhibited in NU, to a routine engagement in management affairs in the public universities. A more structured approach is seen in IUIU where the Rector presents all components that affect the University in an annual meeting. By implication, whereas IUIU has a strong central presence, the other universities operate collegial arrangement right from the distribution of executive power dictated by the UOTIA for the public universities and adopted by NU.

On the other hand, financial literacy applies to the governing body as much as it applies to the staff members within the institution. Ability to link the financial to the strategic tenets of the institution is still lacking at both the operational and governance levels. In Mak for example, the 2007 Visitation Committee report points out that Council made financial commitments which did not have financial backing (Visitation Committee, 2007, 17). Similarly KYU has made financial commitments with inadequate financial backing thus generating arrears, in both cases the primary driver is staff salary enhancement. The mismatch in finances and decision making at the governance level highlights two fundamental issues; management provides inadequate information to the governing board, or the governing bodies do not have the sufficient financial expertise and/or time to synthesise information presented by management (Visitation Committee, 2007). The shared governance between executives and governing body espoused by Shattock (2003) is more evident in IUIU seen from the annual budget and report presented to Council by the Rector. No such documentation is evident in the public universities and this could be seen as a restraint by management to Council.

The choice of members to the governing body reflects the utility of the body to the institution. For the public institutions, the concentration is the capacity to meet the interests of government discerned from the representation. For the private universities and especially IUIU, Council in addition to policy making subscribes to the historical context of governing bodies designed to mobilise financial support for the institution as described by Shattock

(2003). In the same vein, the changing spectrum to corporate governance that has started to creep in NU is largely seen as a result of new membership to both the executive and the governing body.

d) Size as a factor

Size is another factor that impacts on the FMS in two perspectives; the financial and non-financial. From the financial outlook, units with more enrolment have a broader access to resources than units or institutions with fewer students. This also extends to disciplinary spread; wider variety provides the avenue for expenditure flexibility and the possibility of cross-subsidy across units at institutional level as much as there will be cross-subsidy across programmes at unit level. This resonates with the market and mission based resource allocation choices espoused by Zemsky, et al. (2005).

From the non-financial viewpoint, size presents a continuum that can be evaluated in terms of performance and/organisational coherence. The small size provides room for both a more horizontal and informal communication structure between the centre and the units. This similar to the 'open door' policy argues Shattock (2003) and Jarzabkowski (2003) is a key ingredient for organisational coherence. Although there are facets of collegiality for example under the committee system, such an arrangement was not evident in the public universities. Indeed Principals in Mak have raised the issue of management not being conversant with the operations of academic units since they never visit them to get a feel of the situation on the ground. For IUIU size combined with religion generates a social fabric that provides additional networks and communication channels as well as reduce the power distance between the *Rectorship* and the units. Shattock (2003) asserts that this practice spawns incremental decision-making that is likely to reflect cumulative success as opposed to big decisions that will require lengthy debates in addition to major policy and resource shifts.

On the other hand, for the big institutions, size generates performance indicators acceptable to funding agencies and the public. Outputs from the breadth of the institutions in terms of numbers and disciplinary focus when compounded produce a performance edge over the smaller institutions; particularly when evaluation at both the national and international levels is based on institutional output not individuals or faculties see for example, Shattock (2003). For Mak, size is combined with the history of the institution to produce a broader performance spectrum. Nonetheless, in the absence of a structured performance management system, size

masks both under and over performers into an institutional average. On the whole, whereas small size generates internal coherence, big size facilitates external legitimacy.

6.2.2 Regulatory Factors Influencing Financial Management

The regulatory framework is another key factor that influences financial management in Universities in Uganda. Similar to the balance between state, market and academic oligarchy advocated by Clark (2007), HE in Uganda has two distinct regulatory frameworks; the NCHE which derives its mandate from the UOTIA and the Ministries responsible for Finance and Education. With a purview that covers both public and private universities in addition to other tertiary institutions, the NCHE has established capacity indicators for the private universities which require a charter to be recognised and/or accredited. Yet these indicators have also been used to evaluate the status and performance of public universities. Extraction of the relevant institutional data for the NCHE implies that universities have to establish appropriate MIS. To this end therefore, as a regulatory body the NCHE provides the motivation for the development of integrated information systems. It is these systems that are designated not only to link the financial to the non-financial components but also form the foundation for financial reporting (Kaplan & Cooper, 1998). That notwithstanding, the nascent capacity for information storage, retrieval and extraction is evident for all the institutions in this study. At the same time, as an externally derived discourse, such performance indicators present a challenge of channelling the focus of the universities to meet the reporting requirement while masking the systemic financial management deficiencies (Roberts, 2009).

Similarly, the NCHE highlights the strategic plan as one of the requirements for both private and public universities. As a performance indicator, most institutions in Uganda and indeed all universities in the current study have strategic plans, yet the utility of the strategic plans in their current format remains fluid. The strategic plan formulation process could be another factor inhibiting integration into the University operational set up; for all the cases in the study the strategic plan was developed through a series of retreats as opposed to a continuous strategic formulation process. Although as highlighted by Mintzberg (1994) it demonstrates fragile strategy ownership and articulation it may also be an affirmation that HE institutions are self-propelling and thus do not need strategic planning.

As part of the regulatory framework, public universities are expected to fit within the central government and public agencies financial management and reporting structure (Kasozi, 2009).

Because the structure does not capture the unique features applied in a University setting, institutions are forced to have parallel budget reporting systems. The absence of internal cohesion between the different units of government with respect to reporting requirement generates a fragmented financial reporting system. To a large extent therefore, while the institutions are able to meet the financial reporting requirements by the different agencies, no individual report provides a comprehensive overview of the operational and strategic performance of the institutions (Kaplan & Cooper, 1998), or as Roberts (2009, 963) presents it that

Transparency is a mere theatre of good performance manufactured for others but decoupled from actual performance.

From another viewpoint, the line item budget adopted for the government subvention limits resource allocation flexibility in public universities. The three categories of wage, non-wage and development do not have a reallocation provision; a factor that is further compounded by the need/ regulation to meet the food, accommodation and other direct students requirements for students on the government scholarship. Although institutions have attempted to operate a basket funding, these rigidities affects the financial decision-making. At the same time, the structured budgeting process adopted by the government for all agencies implies that universities spend $\frac{3}{4}$ of the financial year budgeting. This limits its effectiveness as much as it generates budgeting fatigue and inadequate performance reporting.

Correspondingly, the modified cash accounting principle adopted by the institution is a direct transposition from the government system. That asset valuation and systematised depreciation is not part of the expectations from the institutions, presents no motivation for the institutions to fully adopt accounting standards as espoused by the ISAB. For the private universities there is no holistic financing policy framework, first in terms of access to bilateral support and second in terms of government subsidy to the institutions especially since HE is still considered as a public good irrespective of who offers it.

The issue of reporting and allegiance to the different regulatory bodies within the national framework is another factor that influences the FMS. For example, although the procurement systems and issues are fundamental to financial management, the procurement units in public universities are more aligned to the national procurement authority than the financial management guidelines outlined by the universities. While this is majorly because the day to

day operations of the unit are closely monitored and influenced by the Public Procurement and Disposal of Assets Authority, it is also an indicator of internal regulatory weakness.

6.2.3 Market Factors Influencing Financial Management

Apart from regulatory and institutional factors, the market stands out as a key point of interest with respect to financial management of HEIs. As a paradigm, it echoes commercialisation highlighted by scholars such as Bok (2003) and Mamdani (2007); yet it also borrows from the entrepreneurial concepts advanced by Clark (2007). For the institutions in this study, market forces manifest in three specific areas namely; the programmes offered by the institutions, the capacity to cost these programmes, the fees charged; and the apparent competition that is visible through the media and other publications including international league tables.

Because most universities offer the same programmes, it generates competition for students, staff and other constituent resources such as internship sites. Yet there is evidence of a sharing of resources particularly with respect to staff. Inter and intra institutional movements of staff demystify the market concept as it would apply in the business world. Although it skews performance indicators in terms of institutional expectations between teaching and research the sharing of staff across institutions brings out the notion of inter institutional cross-subsidy. It further reflects both the resource allocation focus across the two core functions within the universities and the rationale behind the choice of programmes made by the institutions that is 'largely influenced by low input requirements' Musisi & Mayega (2010). The motivation for this is access to curricular and staff resources from the already existing universities. Reliance on these perceived market forces therefore stifles differentiation within the Ugandan HE sector.

With respect to tuition and other fees, the concept of market is seen from the similarity in the range of tuition fees charged by the different institutions. Whereas the private universities would have no encumbrance for raising fees to meet the true cost of providing the HE service, market forces have kept the fees low to the level of the public institutions which have caveats on fee increments made by government. For several of the institutions the fees charged are largely historical and have limited bearing to the cost incurred by the institution on a specific programme. Moving from a point of full support for HE in the early 1990s, the introduction of private education was conceived in a subsidy mode to supplement teachers' salaries. The bulk of expenditures were expected to be met by the state. Unwittingly, this also set the tuition fee

base for both public and private universities. Several attempts to increase tuition fees, irrespective of private or public orientation, have met stiff resistance from students and in most cases result in student unrest. Private universities received respite when public universities were allowed to increase fees by 40% in 2009. Indirectly therefore, by controlling public universities tuition fees the external environment ensures that the private universities are equally affected.

Over the past five years the concept of international league tables has steadily crept into the institutional performance measurement nomenclature. The league tables such as *webometrics*²¹ have been used as performance comparators for the different institutions. Irrespective of their utility as a performance measurement tool, the publicity surrounding the announcements provides a benchmark for public assessment of the institutions. They also underscore the influence that the international HE market is beginning to have on national institutions. Because they represent a perception of external constituents, the league tables have been used as a catalyst for improvement in institutional processes and outputs.

6.3 Conclusion

This chapter set out to respond to the two research questions; *i) how integrated are the FMSs in public and private universities in Uganda?* And *ii) what factors influence financial management in public and private universities in Uganda?* As a comparative analysis the chapter highlights the divergences and convergences of the resource allocation, revenue mobilisation and costing on the one hand and strategy, performance measurement, rewards and reporting as well as the feedback loop on the other. Premised on integration as a construct, the chapter explores how the financial and non-financial components of the universities blend to produce constructed understanding not only of financial management but also the intricacies that define the market based dispensation that is increasingly defining the academe. By exploring the factors that influence financial management, the chapter gives an insight into how structure has been used as an object of differentiation in the HE sector in Uganda. It brings out the inter and intra-institutional differences with respect to response to internal processes but more specifically external regulation and the market. It also provides the foundation for the conclusions and recommendations outlined in the next chapter.

²¹ <http://www.webometrics.info/>

7 Conclusions, Reflections and Recommendations

This chapter outlines the reflections that emerge from the discussions about the financial management structure, format and systems in public and private universities in Uganda. It elaborates the context in which the institutions operate to generate convergences and divergences. The conclusions espoused capture an understanding of the factors underlying the choices made by the institutions and the constructs that define their financial management practices as well as the prospects for improving the systems. Resource allocation, strategy, performance measurement, management and reporting as well as resource diversification have been expounded as key tenets of financial management albeit within a broader framework that aligns the financial to the strategic elements.

With respect to resource allocation, both centralisation and decentralisation are applied in varying degrees in the universities in this study. Whereas centralisation stands out in the private universities to provide a locus of control for the executives (Jarzabkowski, 2002), the public universities have adopted a stratified and hybrid resource allocation mechanism where centralisation and decentralisation are largely dependent on the source of financing. The percentage-of-generated- income-based formula adopted by the public universities is by and large inequitable and produces both surpluses and deficits within a single financial year. From a performance-based perspective, the percentage formulae provided a paradox for the institutions. On the one hand, it acted as an incentive for resource mobilisation, driving market-based curricular reforms and increased enrolment for specific units. On the other, it delivers inequitable growth and prevents the institutions from priority-based resource allocation. As a consequence, universities then struggle to balance their mission with revenue generation (Zemsky, et al., 2005)

Combined with unclear role distributions at the executive level, the experimental nature of decentralised resource allocation creates management challenges. The quasi autonomy granted to the units is counteracted by practices that promote centralisation. These combined with intermittent resource inflows, and a disjointed financial regulatory framework spawned a fragmented FMS as a characteristic of public universities in Uganda. Centralisation as practiced in the private universities stands out to be more effective given the constrained resource inflows. Nevertheless, even the private universities that have a less fragmented system have not related their financial resource allocation to the institutional strategy. Universities in

Uganda therefore are yet to adopt the rational systems that define a comprehensive resource allocation agenda that translates institutional strategy into financial plans and relates allocation to both performance rewards and feedback.

While there is evidence of strategy as championed in the strategic plans existing in all the four institutions in the study, strategic direction from the plans remains fluid. The potential for using the plans to generate new constructs and change institutional cultures therefore is largely untapped. The plans are not used for resource mobilisation and the attempt at direction is generally limited to specific individuals or processes within the institution. There is also no evidence to show periodic systematic review of the performance of the plans.

In a similar vein, the inadequacy of the human resource practices adopted by the institutions together with the shortcomings in linking strategy to resource allocation underscore the limitations in the application of the new rational approaches such as PMM. At the individual level, annual performance targets are not set; there is no structured feedback loop; the performance reward mechanism is unsatisfactory; and the concept of manager's compensation as outlined in management literature (Ittner, et al., 2003) is non-existent. At the same time, despite the fact that all the institutions can be categorised as teaching universities, research performance is the only discernable reward mechanism for academic staff. It can also be discerned that tuition and other fees are the primary focus for resourcing the institutions. There is therefore a mismatch between the financial component and the instruments for reward.

At the institutional level, although documented in the strategic plans, performance indicators have not been applied as a management tool to facilitate resource allocation; institutional learning and development. Each institution has established its own definition of performance, ranging from the predominantly financial in KYU and Nkumba to a selective mixture of financial and non-financial performance captured in the annual reports in Mak and IUIU. These do not necessarily conform to the performance indicators as outlined by the NCHE or international performance indicators conventions.

What emerges for all universities in this study is that fees from tuition and other fees are the largest source of income. Yet fees have a history of being static once established; therefore the nature of programmes offered, when they were started and the number of students enrolled has a direct influence on the level of operational resources available to individual units within

the University as well as at institutional level. Only IUIU has a financial portfolio that includes endowment and a projected expansion in this category of financing. On the other hand, Mak has a quasi-endowment approach that is more of a historical connotation that has neither been enhanced by a deliberate effort for resource mobilisation or a reflection of University entrepreneurship. Similarly, both IUIU and Mak are institutions with some form of international donor support, however, where it is an institutional prospect for IUIU; it is more of an individual/unit initiative at Mak.

Paradoxically both the market and the regulatory framework have been discerned as factors that uniformly influence financial management in the universities. Indeed one can deduce that for both public and private universities government is the predominant stakeholder. First, through a 'liberalised' service provision environment that increases competition for staff and students; and second, through a requirement for reporting to the NCHE for the private and to a multiplicity of institutions for the public universities. While there is direct government influence in the public universities, for the private universities it is a result of occupying the same socio-economic and regulatory environment as the public universities. By regulating tuition fees, controlling staff pay and influencing resource mobilisation initiatives, the public sector still dominates both public and private provision of HE in Uganda, thus illuminating the limitations of a liberalised HE. It also demonstrates that institutions cannot be divorced from the organisational field within which they operate (Davis & Marquis, 2005; Meyer & Rowan, 2006). Yet despite the germane need for conformity, private universities still have to devise survival strategies some of which have extended to using the same resources as the public universities, for example staff and reading facilities. This then translates into not only subsidy across institutions but also impacts the capacity for differentiation within the sector.

Institutional factors stand out as a point of differentiation. Among these factors, also influenced by national conventions, is the accounting method employed. While private universities adopted the accrual based accounting method, that also takes into consideration the assets and their depreciation rate, public universities operate a modified cash accounting method. In conformity with the national practice, assets are depreciated 100% at the point of acquisition and the net worth of the institution neither reflects land nor buildings. It should be noted that public sourcing partly shields the institutions from financial responsibility. Whereas the private universities elaborate 'going concern' as a key principle in the financial management framework, the government resource acts as a buffer for the public universities. This generates not only requisite financial stability but – somewhat paradoxically – also eliminates the

incentive to be more efficient. At the same time, because the computation of the net worth of institutions is not standard, financial performance comparison is inappropriate. Similarly, the concept of accrued accounts for both public and private universities cannot be complete until records of fees collection have been adequately streamlined.

Apart from accounting method, size and age stand out as key factors influencing the management practices of the university; the smaller private universities have a more intimate but informal management structure which extends to communication with students. Differences associated with age manifest in both KYU and Nkumba Universities., the newer of the case studies. For both universities it is evident that human resource, MIS and quality assurance structures are just being introduced.

Internal dynamics influence resource mobilisation, as a point of differentiation in the four cases, where financial options such as interest rates and foreign exchange gains have been used in the private universities, the Finance Act bars such options for the public universities. Similarly, access to bilateral grants is only available to public institutions. These options notwithstanding, it is how the institutions use these opportunities that will determine their resource mobilisation potential. There is evidence that human resource capacity, size and age are key parameters in this endeavour.

On the whole, although the differences between the public and private University financial management structures may not be significant, there are certain features in the private universities that would enhance performance in the public universities. These include a harmonised resource allocation framework that has capacity to pool resources and allocate them to areas of need. In as much as they do not distribute profit, the need for survival provides the adequate incentive for efficient resource utilisation more evident in the private than the public universities. The central control of resources is a mechanism demonstrating the need for survival. The focus on sensitive areas even when they are not strategic maintains stability in the institutions which in turn enhances external legitimacy. Although the concept of diversified resource mobilisation concomitant with entrepreneurship has been floated in the HE sector in Uganda since the introduction of fee-paying students in public universities (Carrol, 2005; Court, 1999; Musisi & Muwanga, 2003), it is yet to be fully recognised. The challenges associated with diversification do not conform to the public or private orientation of the University, there is interplay between the regulatory and capacity factors affecting the diversification of financing in the universities.

The movements in the financial management practices of universities suggest both a dynamic environment and a case of experimentation and learning. None of the universities has been able to develop an integrated FMS. There are fragmented components of good practices in both the financial and non-financial spectrum of operation in the different universities. What is highlighted is the continuous change spurred by internal and external forces. Significant forces for integration in both private and public University are external, notably government reporting requirements for the public universities but also for the private universities through the NCHE.

7.1 Reflections and Suggestions for Further Research

Where there are no formal established mechanisms for performance evaluation, students provide the most valuable feedback for the improvement of teaching within the institutions. The acknowledgement that students are the most 'coveted' stakeholder holds true in all institutions especially with respect to meeting their service delivery needs. It also underscores the international HE trend that the relationship between universities and students is changing. Students see themselves more as customers contrary to previously established norms of students as part of the education process, that combine the three production phases on input, process and output (Bok, 2003; Shattock, 2003). Yet communication between management and students is tenuous and unstructured, with the case being more extreme in the public universities. This goes to show that introduction of management practices does not lead to automatic translation and influence within the organisation (Pollitt, 2005).

On the other hand, the fact that all universities charge less than the cost of what it takes to educate a student may be an indication that the full market principles are yet to be reached in the HE sector in Uganda. From the financial perspective therefore, universities are not fulfilling the criterion espoused by Kaplan & Norton's (1996) Balance Scorecard. The student in this instance is seen as a key stakeholder as opposed to being viewed as a consumer because students do not pay the true cost neither do the institutions meet all the market requirements of a consumer. Nevertheless, the issue of responsiveness to 'customer' needs is evident, through changes in curriculum, adopting information communication technologies and student evaluation processes. In addition, the fact that there is marked competition for 90% of the students categorised as private or fee-paying implies that the concept of *marketisation* is assuredly seeping into the HE in Uganda. Yet it can be argued that the market manifests more

at the systemic than at the institutional level. While the old institutions lag behind trends such as PMM, the new institutions adopt practices from the existing set up, thus creating an overall non-market compliant environment. Moreover, this analysis has limitations. While it is based on the stated strategy, a common phenomenon in analysis of financial management (Kaplan & Norton, 1996; Norreklit, 2000; Otley, 1999), it has been highlighted that strategy is an external construct, thus an emergent and largely incremental strategy has more validity to the institution.

Similarly, while external legitimisation comes out as a key feature in the financial management structures of universities in this study, it largely manifests from anecdotal isolated or protracted pronouncements in the media and other public forums. Universities are yet to articulate financial performance assessment studies that focus on both financial appropriateness and value for money audits. At the same time, none of the institutions in the study, apart from Mak, has undertaken any form of tracer studies. The lack of internal performance assessments together with limited external evaluations and a fragmented performance reporting framework not only restricts the capacity for institutional learning but also shows the limitations on the parameters used for external legitimisation. It further elaborates the confined capacity by the 'buying' public to understand what they are buying or the capacity to make rational decisions in the choice of institution in a HE environment characterised with limited diversification. This reflection is a pointer to the need to further examine accountability formats within a public higher education sector that will promote institutional learning and growth and how these would differ from the mainstream public sector.

The study highlights that performance can be interrogated within a detailed framework that extends beyond the macro context of financial or strategic management. On the one hand, it confirms Pollitt's (2001) assertion that although financial and performance management are mutually interdependent and thus desirable, challenges of integration still persist. Pollitt's typology highlights that the financial and strategic functions are parallel process that complement the performance of institutions. On the other, it underscores tentative generalisations about the variables that have integrative capacities within a comparative structure for HEIs. The interplay between resource allocation and performance rewards and feedback has varied understanding between and within institutions. Yet it is also the most viable manifestation of institutional accountability. Similarly, the notion that accounting systems have influenced both financial performance and resource allocation in the universities

cannot be disputed. Nevertheless, what emerges is that first, despite the evidence that the external environment has generated limited differentiation across institutions in the study, it is difficult to document and standardise FMS in HEIs in Uganda. Second, performance indicators as currently constructed are not sufficient pointers to institutional performance or accountability. Thus generating the need to further investigate the conditions under which financial integration can be feasible within the HEI setting.

From the methodological perspective, by adopting the case study as a strategy of inquiry, the study has generated an understanding of financial management specifics in the institutions (Stake, 2005; Yin, 2009). Yet it falls short of discerning the causality of the practices within the difference universities.

7.2 Recommendations

The recommendations outlined in this section directly emerge from the conclusions drawn about the financial management discourse in the context of the Ugandan HE system. They focus on both the financial and non-financial perspective and provide an overview of an ideal integrated financial management structure. The section is used as the springboard to answer the third research question addressed by this study. *What recommendations for HE financial management follow from the study?* The recommendations fall into two general categories: first, the institutional category an inward looking synthesis that highlights, unit, individual and other internal processes that facilitate institutional advancement; the category further captures, institutional positioning to mitigate external influences. Second, the recommendations capture a broader sector-based orientation that would provide insight for policy review and refinement.

7.2.1 Institutional

- While strategic planning has been put forward as a way of improving organisational management, its application in the University setting is limited. Strategic plan ownership is tenuous at both formulation and implementation stages. It may therefore not be necessary for universities to go through an elaborate process of strategic planning, but rather outline key areas of focus that will give a short term sense of direction to the operations of the University. More attention needs to be paid to annual planning as a key driver to institutional operations;

- In consonance with the recommendation above, there is a need to evolve mechanism that will enhance strategic plan ownership which should extend to induction of new managers both at the executive and middle management levels. This will augment compliance and utility of the stated strategy. It further creates a firm foundation for monitoring and evaluation as well as the base not only for institutional learning and growth but also creates a framework for financial management integration;
- Introduction of a harmonised resource mobilisation and reporting structure that captures the overall resource available to the institution particularly for the public universities. This will facilitate priority and strategy-based allocation as well as provide a true picture on the financing of institutions, although it is likely to compromise decentralised resource allocation. Holding individuals accountable for both financial and strategic performance is likely to sustain momentum for both research and third stream income as well as the existing tuition based revenue generation. It will also enhance human resource capacity for resource mobilisation through research and other grants;
- Establishment of a performance reward mechanism that will facilitate institutional learning and growth. The need to stratify performance rewards to customise them to the core academic activities of teaching and research should be recognised. Both teaching and research should be equally rewarded. While the establishment of an annual performance target at institutional, unit and individual levels would enhance integration, there is a need to expand the reward structure beyond promotion or advancement in the academic career. It also underscores the need to evaluate how the focus on research rewards impacts on the teaching and the human resource structure of the universities;
- Performance targets go hand in hand with performance indicators. In this context, generic performance indicators provide benchmarks at the macro institutional level largely in line with the capacity indicators developed by the NCHE. It would, however, be more effective for each unit within the University to customise performance indicators taking into consideration the discipline, capacities as well as institutional and external constraints. When these are documented, they provide a rich platform for internal benchmarks and comparisons that will lead to institutional learning and growth. Yet they also underscore the validity of performance evaluation since they provide consistency in identification and application of performance indicators;

- There is need to evaluate the format of financial decentralisation, clarify the mandates, roles and responsibilities between the centre and the units in order to create a vibrant and meaningful decentralised financial management process. Similarly, the distribution of executive power at the centre needs to be re-evaluated in light of alignment between the financial and the academic perspectives of the institution. The movement from a pluralistic structure to a more unified management is primed to improve not only resource allocation but also PMM;
- The definition of roles and responsibilities should extend to staff and the governing body in the resource mobilisation initiative. For the staff it is important to recognise existing opportunities for resource mobilisation, the evolution of a structured strategy for third stream and research income provide the initial prospect for resource diversification;
- Restructure the interaction between the governing body and management with respect to financial affairs of the institutions. Adoption of corporate/ private sector boardroom practices of presentation and analysis would enhance appreciation and understanding of the challenges, opportunities and possibilities in resource mobilisation, allocation, and management;
- The limited capacity to hold students financially accountable stood out in all the case studies. This is a signal to re-examine the fees collection mechanisms. One option is to outsource the collection; this shifts the responsibility of following up the students and designating them as debtors to the debt collection agency. This is a practice common in the business sector, yet it has socio-economic implications beyond the HE sector. Another option, particularly for institutions that have centralised collection, a mechanism for regular updates and alignment between paid up and students consuming the service needs to be devised. The periodic issuance of demand notes with embedded sanctions serves as a reminder to both the student and the benefactor and stands out as a viable compliance option; and,
- Communication and information flow is a key financial management factor within the University, yet each stakeholder has different information requirements. There is therefore a need to profile information generation, storage, retrieval and dissemination.

7.2.2 Systemic/ Regulatory

- The current accountability frameworks do not adequately articulate the performance expectations from the universities. Because funding at the national level is not linked to performance, there is no incentive for effective allocation of resources. When universities are considered in light of providing a public good then there should be mechanisms demanding both financial and technical accountability communicated throughout the institutional hierarchy starting with the individuals;
- Clear articulation and roles and responsibilities within particularly the public universities, the legal framework should elucidate the financial management structure, taking cognisance of governance and the hierarchy within the institutions. This will eliminate internal conflicts and at the same time provide a financial reporting structure for both internal and external stakeholders;
- Capacity building should be mandatory to facilitate access to resources. Capacity in this sense refers to human resource capacity to write fundable proposals. Inter- and intra-institutional networks should be encouraged. Institutions such as Mak should include other universities in these activities, particularly when they access bilateral and government based initiatives;
- Standardisation of institutional reporting systems will facilitate inter- and intra-institutional comparison, it also stands out as a necessary condition for movement towards efficient and efficient allocation and utilisation of resources; and
- Movement towards accrual accounting that recognises both receipts and expenditures at the time of occurrence will provide a broader overview of the financing regime.

In conclusion, this study set out to investigate the difference in the financial management structures and practices of public and private universities in Uganda. Using case study as a strategy of inquiry, the study established that there is limited difference between the two categories of institutions. It highlighted that the external environment has a larger influence on the cultures and practices of the organisations. Evidence of this is seen through the government-influenced market, the regulatory and legislative environment as key determinants of the choices made by the universities in both the financial and non-financial sphere. It also underscored the rhetoric of a liberalised HE sector that would have generated

differentiation. Indeed elements of isomorphism are spawned by inadequately developed reporting frameworks, unit cost application tensions, inability for evidence- based decision making and learning, failure to link strategy to resource allocation as well as human resource capacity inadequacies. These accentuate the limitations in the adoption of integrated financial management or the new public administration rational approaches such as the PMM paradigm in the Ugandan Universities especially against resource constrained backgrounds.

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Appendices

Comparative Fees for Selected Programmes 2005/06 & 2010/11

Programme	2005/06					2010/11			
	IUIU	Mak	KYU	Nkumba		IUIU	Mak	KYU	Nkumba
Bachelor Of Arts (Arts)	930,000	810,000	900,000			1,023,000	1,134,000	1,260,000	2,216,126
Bachelor Of Arts With Education	930,000	810,000	950,000			1,023,000	1,134,000	1,330,000	1,611,000
Bachelor Of Science With Education	930,000	960,000	1,200,000			1,023,000	1,344,000	1,680,000	
Bachelor Of Science	930,000	1,080,000	1,200,000			1,023,000	1,512,000	1,680,000	
Bachelors Of Social Sciences	930,000	900,000	900,000			1,023,000	1,260,000	1,260,000	2,216,126
Bachelor Of Environment	1,000,000	1,200,000	1,200,000			1,320,000	1,680,000	1,680,000	2,048,800
Bachelor Of Development Studies	1,200,000	1,000,000	1,000,000			1,320,000	1,400,000	1,400,000	2,016,200
Bachelor Of Mass Communication	1,200,000	1,200,000				1,320,000	1,680,000		1,611,000
Bachelor Of Information Technology	1,200,000	1,800,000	1,500,000			1,430,000	2,520,000	2,100,000	
Bachelors Of Social Work & Social Admin	1,200,000	1,200,000	1,220,000			1,320,000	1,680,000	1,700,000	
Bachelor Of Laws	1,500,000	1,200,000				1,650,000	1,680,000		2,280,626
Bachelor Of Industrial & Fine Arts		1,200,000					1,680,000	1,900,000	2,338,626
Bachelor Of Arts In Economics		1,400,000	900,000			1,430,000	2,100,000	1,260,000	
Bachelor Of Community Psychology		1,200,000	900,000				1,680,000	1,260,000	
Bachelor Of Population Studies		1,000,000					1,400,000	1,600,000	
B. Of Science Food Science & Technology		1,920,000	1,500,000			1,540,000	2,688,000	2,100,000	
Bachelor Of Architecture		1,650,000					2,310,000	3,000,000	
Bachelor of Business Admin			1,300,000			1,320,000	2,300,000	1,820,000	2,108,626
Bachelor Of Statistics		1,440,000	930,000			1,540,000	2,016,000	1,300,000	
Bachelor Of Science Computer Science		1,800,000	1,500,000			1,320,000	2,520,000	2,100,000	
Functional Fees P/A							546,500	453,900	449,000

* fees based on Ugandan Day students- There are variations for evening, weekend and international students

List of Informants by Institution and *Atlas ti* Transcription code

Transcript Code No	Institution	Designation	Sex	Category
1.	IUIU	Administrator, Faculty of Arts and Social Sciences	Male	Middle manager
2.	IUIU	Academic Registrar	Male	University Executive
3.	IUIU	Dean Faculty of Arts and Social Sciences	Male	Middle manager
4.	IUIU	Dean Faculty of Law	Female	Middle manager
5.	IUIU	Dean Faculty of Management	Male	Middle manager
6.	IUIU	Dean Faculty of Science	Female	Middle manager
7.	IUIU	Deputy Bursar	Male	University Executive
8.	IUIU	Deputy University Secretary	Female	Middle manager
9.	IUIU	Vice Rector Academic Affairs	Male	University Executive
10.	KYU	Bursar	Male	University Executive
11.	KYU	Dean Faculty of Education	Male	Middle manager
12.	KYU	Dean Faculty of Science	Male	Middle manager
13.	KYU	DVCAA	Male	University Executive
14.	KYU	University Secretary	Male	University Executive
15.	KYU	Deputy Director Planning	Male	Middle manager
16.	Mak	Academic Registrar	Male	University Executive
17.	Mak	Bursar	Male	University Executive
18.	Mak	Principal College of Agricultural and Environmental Sciences	Male	Middle manager
19.	Mak	Principal College of Business and Management Sciences	Male	Middle manager
20.	Mak	Principal College of Natural Sciences	Male	Middle manager
21.	Mak	Deputy Vice Chancellor Academic Affairs	Female	University Executive
22.	Mak	University Library	Female	Middle manager
23.	Mak	Director Planning and Development Department	Male	University Executive
24.	Mak	University Secretary	Male	University Executive
25.	Nkumba	Academic Registrar	Male	University Executive
26.	Nkumba	Bursar	Male	University Executive
27.	Nkumba	Deputy Academic Registrar	Male	Middle manager
28.	Nkumba	Dean School of Business Administration	Male	Middle manager
29.	Nkumba	Financial Manager	Male	Middle manager
30.	Nkumba	Director Planning	Male	Middle manager
31.	Nkumba	Director Quality Assurance	Male	Middle manager
32.	Nkumba	University Secretary	Female	University Executive
33.	Nkumba	Vice Chancellor	Male	University Executive
Clarificatory- filling in Gaps				
0	IUIU	University Secretary	Male	University Executive
0	KYU	Deputy Bursar IGU	Male	Middle manager
0	KYU	Human Resource	Male	Middle manager
0	KYU	Deputy Registrar	Female	Middle manager
0	KYU	Assistant Secretary Planning	Female	Middle manager

Interview Guide

	Thematic Questions	VC/DVC Rector/ VR	Academic Heads/ Middle Managers	Other Executives ²²	Financial Managers
1	Management Control Systems: Investigates the financial management framework of the University				
1.1	Do you have centrally linked databases? How accessible are they? What are they used for? Are they used for report generation? How do they support the financial management process?		√	√	√
1.2	What communication channels exist within the University with respect to financial management?		√	√	√
1.3	What financial information would you require in your office as Vice Chancellor? Would you say that you receive the right information at the right time and in the right format?	√			
1.4	How are budgets communicated and how does centre receive feedback?		√	√	√
1.5	Where does the authority to spend/ approve expenditure rest in the University? How does financial control work at the level of the academic department? To what extent are budgets devolved? How centralised or decentralised is financial management?		√	√	√
1.6	Would you say that you receive the right information at the right time and in the right format?	√	√	√	√
2	Institutional strategy: Determines the linkage between the institutional strategy and resource allocation				
2.1	What role does the strategic plan have in the financial management of the University?				
2.2	What would you say is the focus of your University	√			
2.5	How do faculties/units report to central executive? How does the University report to external constituents?		√	√	√
2.6	Would you say that resource allocation is related to institutional objective- is there a deliberate focus on mission and objectives?	√	√	√	√
3	Performance Measurement and Management: Provides a synthesis of the perception of performance at the different hierarchical levels within the University				
3.1	How would you know that your institution is performing? What criteria do you use to determine performance? How are performance indicators determined and how often do they change?	√	√	√	√
3.2	What performance reports do you produce? What reports are produced for you? How are these reports used?		√	√	√
3.3	Are plans and proposals revised as a result of financial review analysis? Is financial strength/ level of internally generated revenue an indicator of performance at the faculty/institutional level?		√	√	√
3.4	What performance reports do you pay attention to? What determines this attention disciplinary focus/ external regulatory pressure/ internal requirement?	√	√	√	√

²² Other executives include, University Secretary, Academic Registrar, Director Planning

	Thematic Questions	VC/DVC Rector/ VR	Academic Heads/ Middle Managers	Other Executives ²²	Financial Managers
3.5	Would you say that these reports are accurate and provide feedback to improve performance?	√	√	√	√
3.6	Do budgets include physical and financial targets? Is there an annual review of performance indicators?		√	√	√
3.7	How is performance rewarded? Do you have performance incentives/sanctions? How is this perceived by staff?	√	√	√	√
3.8	How often is the strategic plan consulted in your day to day operations	√	√	√	√
3.9	Do you have any quality control mechanisms? How was it generated and how does it operate?	√	√	√	
3.10	How are you accountable for the performance of the strategic plan/institution?	√	√	√	√
4	Revenue Generation: Provides the status of diversified financial resource and how it changes the behaviour of universities				
4.1	Are there any specific conditions that you have to fulfil in order to access financial resources to the University? Please elaborate.		√	√	√
4.2	What are the internal and external sources of revenue for the University? What are the conditions necessary to access these resources? Does the SP contribute to increase/reduction of resources mobilised? How? Under what circumstances is the SP used most? Reporting, or resource mobilisation	√	√	√	√
4.3	Do you have incentives for income generation? How does it apply? E.g. retention of part proceeds or are managers compensated for resource mobilisation and how?	√	√	√	√
4.4	Does the strategic plan contribute to increase/reduction of resources mobilised? How? Under what circumstances is the strategic plan used most; (reporting/ resource mobilisation/resource allocation/general direction?	√			
4.5	How are revenue and expenditure projections made?			√	√
4.6	At what level is incentives operationalised- University/Government? Central Admin- units/faculties? Who receives the incentives and in what format? (salary, scholarships, amenities, tax breaks)			√	
4.7	Is financial strength/ level of internally generated revenue an indicator of performance at the faculty/institutional level?				√
5	Budgeting and Resource allocation: Outlines the resource management and allocation mechanism of the University				
5.1	What is considered in the allocation of resources? What is the linkage between the short term and long term objectives of the University?		√		
5.2	What resource allocation model is applied to the University- line item or performance based? Who determines the model?		√	√	√
5.3	What factors influence resource allocation? Do you operate ceilings and if so what are the amounts and how are they arrived at?		√	√	√
5.4	What is the role of University/faculty/college strategic plan to resource allocation?	√	√	√	√
5.5	How long does the budgeting process take? Who is involved? What is the role of the academic staff in resource allocation?		√	√	√
5.6	What is the Budget approval process? How are budget variations handled?		√	√	√
6	Costing within the universities: .;Establishes the University costing structure and the factors that influence it				
6.1	What are the cost drivers? How are costs determined? How are services costs captured? Is costing aligned to objectives?		√	√	√
6.2	How are capital investments made and how are they financed?		√	√	√

	Thematic Questions	VC/DVC Rector/ VR	Academic Heads/ Middle Managers	Other Executives ²²	Financial Managers
6.3	How is costing related to fees paid? What components do the published fees cover?			√	
7	Financial management system: Highlights the financial management system in the University and the existing supporting structures				
7.1	What are the required qualifications for financial management staff? Is the finance department adequately staffed- number and qualifications? What is the attrition rate of finance staff and why?				√
7.1	What external reporting/ Generally Acceptable Accounting Principles (GAAP) do you use?				√
7.1 1	How compatible are the financial systems with national systems				√
7.2	How do you react to changes in resource increase/availability in the different units for example AR increased resources				√
7.3	Is there enough incentive to make decisions that result in more money being available for other uses? (Efficiency/innovation). Do your spending decisions reflect good cash management practices?		√		
7.4	What type of accounting system do you use cash or accrual? How does this affect your operations if at all? Would you say that the University breaks even in its income and expenditure? If not why?			√	√
7.6	How would you know that the University is operating efficiently?		√	√	√
7.7	Do you have a financial audit system? How does it operate?		√	√	√
7.8	Would you say that the financial management practices support the University mission?	√	√	√	√
7.9	Do you have financial management guidelines? How often are changed? At what level are they enforced and what demonstrates that they are adhered to?		√	√	√
8	External and Stakeholder Focus: Establishes the perception and linkage between the University and external stakeholders				
8.1	Do you consider the student as a customer? If yes what attributes should be fulfilled to meet customer requirements? If not why? How should the student be treated?	√	√	√	√
8.2	Who is the University accountable to? How does this apply to the different campuses?	√	√	√	√
8.3	Who are the external players? (Private sector, NCHE, public sector, MOES, MOFPED? Could you elaborate their roles in the financial management system of the University?	√	√	√	√
8.4	What would you characterise as challenges to the financial management system of the University?	√	√	√	√